

## **REPORT ON RESPONSIBLE MANAGEMENT OF THE VALUE CHAIN**

***Consolidated non-financial disclosure pursuant to legislative decree of December 30, 2016, n.254***

## METHODOLOGICAL NOTE

This section of the Annual Report 2020, entitled “Report on Responsible Management of the Value Chain” (hereinafter “the Report”), constitutes the “Consolidated Non-Financial Statement” of the Company pursuant to Legislative Decree no. 254/2016 and explores the Sustainable Management Model adopted by Pirelli, the governance tools to support maintenance and creation of values, relationships with Stakeholders and related connection with the development of financial, productive, intellectual, human, natural, social and relational capital, which was mentioned in the “Presentation of 2020 Pirelli Integrated Annual Report”.

The Report reflects the integrated Business model adopted by the Group, inspired by the United Nations Global Compact, the principles of Stakeholder Engagement set forth by the AA1000, and the Guidelines of ISO 26000. Reported information is prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards, *Comprehensive* option, following the process suggested by the APS1000 APS principles (*materiality, inclusivity and responsiveness*), and considering the *integrated reporting* principles contained in the International Integrated Reporting Council (IIRC).

The set of indicators covered by the Report is wider than the list of specific material issues indicated in the materiality matrix, and this in order to provide a more complete and transversal view on the Company’s performance, for the benefit of all Stakeholders.

The report shows the sustainability performance of the Group in 2020 compared to 2019 and 2018, with respect to the targets set in the 2020-2022 Industrial Plan, 2025 Vision. In this regard, please note that in March 2021 the Company will be presenting the new Industrial Plan and the related long-term strategic sustainability targets. The Plan will be published at the same time on the institutional website [www.pirelli.com](http://www.pirelli.com).

The Report, published annually, (the previous Pirelli Annual Report was published in March 2020 with reference to the year 2019), is approved by the Group’s Board of Directors and covers the same scope of consolidation of the Group.

The main information systems that contribute to collect the data accounted in the Report are: CSR-DM (Corporate Social Responsibility Data Management), HSE-DM (Health, Safety and Environment Data Management), SAP HR (SAP Human Resources) and HFM (Hyperion Financial Management).

In terms of internal control of the contents of the Report, the Company, through the *Group Compliance* function, has set up a structured system that includes:

- a dedicated Operating Procedure, in which the roles, responsibilities and procedures to be followed by the Group companies in order to ensure adequate management and reporting of non-financial information are defined;
- an internal control system aimed at providing an assurance about the correct collection and reporting of non-financial information, to which an additional assurance is added for that

information considered to be of particular relevance since, for example, it falls within the Group Sustainability Plan targets;

- a verification, following a circling activity, of all the non-financial data reported in the Report;
- the signing of a letter of certification by the Top Management concerning the data that are collected through the CSR-DM information system and the paragraphs of the financial statements of competence.

As regards external audits, the sustainability performance accounted in the Report is subject to limited audit by an independent firm (PricewaterhouseCoopers S.p.A.) in accordance with the criteria indicated in the *International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)*, issued by the *International Auditing and Assurance Standards Board*. For further information, reference is made to the related Auditor's Report provided at the end of the Annual Report. As part of this limited audit activity, the data relating to GHG (Greenhouse Gas) emissions were also specifically analysed, including for the purposes of the disclosure process to the CDP (formerly the Carbon Disclosure Project).

The Report is structured into four main areas:

- an introductory section related to the sustainable management model adopted by the Company, Materiality Matrix, Governance and Compliance policies and activities, Stakeholder Engagement, long-term planning;
- an "Economic Dimension", in which the distribution of added value is detailed along with the management and performance relating to investors, customers and suppliers;
- an "Environmental Dimension", which describes the management of environmental aspects and impacts throughout the entire product cycle;
- a "Social Dimension", which brings together the paragraphs dedicated to: governance of human rights, the internal community and the external community.

At the end of the Annual Report 2020, before the Independent Auditor's Report mentioned above, the following summary Tables are available:

- the GRI Content Index, which shows the full list of indicators accounted based on the GRI Standards, indicating the relative page in the Annual Report 2020;
- a table of correlation between indicators accounted based on the GRI Standards and the United Nations Global Compact Principles;
- a table of correlation between the performance/targets of the Group and the Sustainable Development Goals of the United Nations on which the aforementioned performance and targets have an impact;

- a correlation table between the information contained in the Annual Report and the topics indicated by Legislative Decree no. 254/2016.

For any clarifications and further information on the content of the Report, reference is made to the “Contacts” page of the “Sustainability” section of the website [www.pirelli.com](http://www.pirelli.com).

## **Management Model**

Pirelli Sustainability Model is inspired by the United Nations Global Compact, the principles of Stakeholder Engagement set forth by the AA1000 and the Guidelines of ISO 26000.

Responsible management by Pirelli runs through the entire value chain. Every operating unit integrates economic, social and environmental responsibility in its own activity, while cooperating constantly with the other units, implementing the Group strategic guidelines.

The main management systems adopted by Pirelli include ISO 9001, IATF 16949, ISO/IEC 17025 in the area of Quality Management, SA8000® for the management of Social Responsibility at its subsidiaries and along the supply chain, ISO 45001/OHSAS 18001 for the management of Health and Safety in the workplace, ISO 14001 for environmental management and ISO 37001 on anti-corruption measures. The Company is also inspired by the ISO 14064 for the quantification and reporting of greenhouse gas emissions (GHG), the ISO 14040 family rules for the methodology for calculating the environmental footprint of the product and the Organisation and, specifically, ISO-TS 14067 and ISO 14046 for the determination of the Carbon Footprint and Water Footprint. In February 2018, the Company also obtained independent certification (from SGS Italia S.p.A.) regarding the compliance of its Sustainable Purchasing Management model based on the ISO 20400 Standard.

Details on the coverage of these certifications and methodological reference tools have been given in the paragraphs “231 Compliance, Anti-Corruption, Privacy and Antitrust Programmes”, “Our Customers”, “Our Suppliers”, “Environmental Dimension”, “Industrial Relations” and “Occupational Health, Safety and Hygiene” of this Report.

With reference to the Group’s Sustainability Governance, the Board of Directors of Pirelli & C. S.p.A., supported in its activities by the Audit, Risks, Sustainability and Corporate Governance Committee, approves the objectives and targets for sustainable management integrated in the Group Plan. The Board of Directors also approves Pirelli’s Annual Report, including the Consolidated Non-Financial Statement, which is in turn subject to the supervision of the Board of Statutory Auditors in accordance with Legislative Decree no. 254 of 30 December 2016.

The strategic evolution of Group Sustainability is entrusted to the *Sustainability Steering Committee*, a body appointed in 2004, chaired by the CEO and composed of the Company’s Top Management representing all the organisational and functional responsibilities. The Committee ordinarily meets at least once a year.

The organisational structure is thus made up of a Sustainability and Future Mobility Department reporting directly to the Co-CEO of the company, which has oversight of the management at a Group level and proposes plans for sustainable development to the Sustainability Steering Committee. The Sustainability and Future Mobility Department receives support from the Country Sustainability Managers for overseeing activities covering all subsidiaries of the Group. The role of the Country Sustainability Manager is currently held by Country CEOs, who are supported by their direct subordinates in the operational management of Country plans.

### **Sustainability Planning and the United Nations Sustainable Development Goals (SDGs)**

Pirelli's sustainable development planning aims to make a tangible contribution to the global effort to achieve the 2030 Sustainable Development Goals (SDGs) presented by the United Nations in September 2015.

In methodological terms, the process of sustainable planning is characterised by specific operational steps aimed at continuous improvement in performance: evaluation of the context through benchmarks, dialogue with stakeholders, needs raised by internal functions, identification of risks and opportunities for growth, definition of projects and targets, implementation, monitoring and reporting.

In March 2021, the Company will be presenting the new Industrial Plan and the related long-term strategic sustainability targets. The Plan will be published at the same time on the institutional website [www.pirelli.com](http://www.pirelli.com).

During 2020 Pirelli continued to implement the Sustainability Plan 2020-2022 with 2025 and 2030 Vision, published in February 2020, fully complementary with the Company's Industrial Plan. The Plan's targets have been defined in alignment with the materiality of the Company's socio-environmental impacts and in support of the United Nations 2030 Sustainable Development Goals, as further discussed below.

The targets and related performance of the Plan (for details see the related sections in this Report) foresee in summary the following:

At raw material level, for new product lines:

- by 2025: renewable materials > 40%, recycled materials > 3%, fossil-based materials < 40%;
- by 2030: renewable materials > 60%, recycled materials > 7%, fossil-based materials < 30%;

With reference to the evolution of performance on the total product range:

- in 2022:
  - o car products (compared to 2015): average reduction in rolling resistance by 10%, improvement of 7% in wet grip, reduction in tread wear rate by 12% and noise reduction by 4%;
  - o motorcycle products (compared to 2015): 15% average reduction in rolling resistance, improvement of 21% in wet grip and 4% improvement in mileage;
  - o velo products (compared to 2017 - the year Pirelli Velo was launched): average reduction of 25% in rolling resistance, improvement of 10% in wet grip and 5% improvement in braking performance;
  
- in 2025:
  - o car products (compared to 2015): average reduction in rolling resistance of 14%, improvement of 9% in wet grip, reduction in tread wear rate by 18% and noise reduction by 4%;
  - o Motorcycle products (compared to 2015): average reduction in rolling resistance of 20%, improvement of 25% in wet grip and 13% improvement in mileage;
  - o Velo products (compared to 2017 - the year Pirelli Velo was launched): average reduction of 25% in rolling resistance, improvement of 15% in wet grip and 10% improvement in braking performance;
  
- growth in *Eco & Safety Performance* tyres revenues with a 2022 target of > 71% of total car turnover and > 78% of High Value products only<sup>10</sup>;

In terms of environmental efficiency of production processes:

- with reference to CO<sub>2</sub> emissions, by 2025 it is planned to achieve 100% renewable electrical energy at Group level, as well as a 25% reduction in absolute CO<sub>2</sub> emissions compared to 2015 (Science Based Target approved by SBTi); by 2030 it is planned to achieve Carbon Neutrality (emissions from electrical and thermal energy);
- with regard to resource efficiency, the following are also planned by 2025: reductions of 10% in specific energy consumption (compared to 2019) and 43% in specific water withdrawal (compared to 2015), as well as achieving 98% of waste sent for recovery (zero waste to landfill);

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<sup>10</sup> High Value products are determined by rim sizes equal to or greater than 18 inches and, in addition, include all "Specialties" products (RUN FLAT™, SEAL INSIDE™, PNCS™).

Regarding the sustainability of the supply chain:

- reduction of CO<sub>2</sub> emissions from raw material suppliers by 8.6% by 2025 compared to 2018 (Science Based Target approved by SBTi);
- adoption of increasingly advanced models of management of the economic, social and environmental responsibility of the supply chain with particular attention to the upstream supply chain;
- implementation of the Pirelli Roadmap 2019-2021 relating to the sustainable management of the natural rubber supply chain.

In the Plan, a central role is dedicated to human capital, the heart of the Company and of its ability to achieve the set objectives. The culture of safety in the workplace will continue to support the Zero Accidents objective, with an expected accident frequency index of  $\leq 0.15$  by 2022 and  $\leq 0.1$  by 2025. The plan focuses on increasingly innovative human capital management. New marketing recruitment solutions for STEM (Science, Technology, Engineering, Mathematics) talents will be accompanied by experimentation with increasingly smart working methods and training in new digital skills, in an inclusive working environment capable of meeting the challenges of the future in an agile manner. ESG objectives, which are an integral part of the short- and long-term incentive plans (with a weight of 20% of the LTI bonus), will be an enabler of positive tension towards achieving the Group's objectives.

To support achievement of Group targets, all Pirelli commercial and industrial subsidiaries around the world have a Country Sustainability Plan.

As noted above, the Plan targets defined in alignment with the materiality of the Company's socio-environmental impacts affect the following SDGs in particular:

- 3 - Health and Well-being;
- 4 - Quality Education;
- 6 - Clean Water and Sanitation;
- 7 - Affordable and Clean Energy;
- 9 - Industry, Innovation and Infrastructure;
- 11 - Sustainable Cities and Communities;
- 12 - Responsible Consumption and Production;
- 13 - Climate Action

Please be aware that:

- the Pirelli Sustainability Plan 2020-2022 with 2025 and 2030 vision is published in the “Sustainability” section of the Company’s website ([www.pirelli.com](http://www.pirelli.com)), where the new Industrial Plan and related long-term sustainability strategic targets that the Company will present in March 2021 will also be published;
- at the end of the 2020 Annual Report, prior to the Independent Auditors’ Report, there are the Summary Tables including a correlation table between the Group’s performance/targets and the United Nations Sustainable Development Goals, on which the aforementioned performance and targets have an impact.

### **Stakeholder Engagement**

The role of Pirelli in an economic and social context is tied to its capacity to create value through a multi-stakeholder approach, i.e. by sustainable and lasting growth that can reconcile the interests and expectations of all those with whom the Company interacts and especially:

- customers, since Pirelli way of doing business is based on customer satisfaction;
- employees, who make up the wealth of knowledge and driving force of the Group;
- shareholders, investors and the financial community;
- suppliers, with which it shares a responsible approach to business;
- competitors, because improved customer service and market position depend on fair competition;
- the environment, institutions, government and non-government bodies;
- the communities of the various Countries where the Group operates on a stable basis, while being aware of its responsibilities as a Corporate Global Citizen.

To the stakeholders mentioned, a paragraph is dedicated within this Report, to which reference is made for further qualitative and quantitative study.

The interactions that take place between Stakeholders are analysed in detail in order to manage relations with them effectively in accordance with the AA1000 Model adopted by the Company and with a view to creating lasting, shared value.

Dialogue, interaction and involvement are calibrated to meet the needs for consultation with the various types of stakeholder and include meetings, interviews, surveys, joint analyses, roadshows and focus groups.



During 2020, due to the Covid-19 state of health emergency, engagement and dialogue activities with stakeholders that could be carried out through digital channels continued, while engagement activities that, in order to express maximum effectiveness, should have been held on site and in person were postponed. In particular, with reference to the engagement and training activities planned for the Group's natural rubber suppliers, it was decided to redirect available resources to activities in support of local communities impacted by the pandemic, through projects selected by Pirelli and discussed with its suppliers. The commitment with respect to natural rubber suppliers is part of the 2019-2021 roadmap of activities, defined by the Company following consultations with local and global stakeholders that took place during 2018 and 2019 (for more details on the sustainable management of natural rubber, please refer to the dedicated paragraph within this Report).

In the preceding years, on the other hand, several consultation meetings were held for the relevant national and regional stakeholders, this in order to share the results and targets of the sustainability plans of the subsidiaries and to listen to the expectations of the Stakeholders on the management of issues deemed relevant for the development of the subsidiary in the medium to long term. Meetings were held in the United States and the United Kingdom, in Russia and Argentina, in Romania, Mexico, Germany and Turkey. Among the issues discussed in the various countries are energy management, technical training and the availability of adequate skills in the population, road safety, the circular economy, human capital engagement, the environmental sustainability of cities, and water and waste management.

Local feedback received from Stakeholders contributed to the corporate evaluation of the priorities for action, influencing the materiality matrix and the development strategy set out in the Sustainability Plan.

### **Materiality Analysis and Mapping**

The Pirelli materiality matrix was published in 2019, updating the materiality matrix prepared in 2016.

The thorough Stakeholder Engagement activities allowed the observation of the priorities assigned by the key Stakeholders relating to a panel of sustainability topics critical for the Auto parts sector, and therefore to compare these expectations with the importance of the same issues for the success of the business according to the experience and expectations of the Top Management.

Stakeholders have been involved through a request for prioritisation of action on a selection of ESG issues (Environmental, Social, Governance) relevant for the development of the Company. The issues have been pre-selected considering the relative presence in the materiality matrix of Automobiles and Auto parts producers, the relevance of the same for the Auto Components sector according to primary research and sustainable finance entities, risks and opportunities arising from regulatory developments, from the expectations of communities, governmental and non-governmental institutions, and financial markets.

For this reason it is specified that all the ESG elements pre-identified through the aforementioned analysis are material and relevant for the development of Pirelli, with greater or lesser priority as evidenced by the position of the different elements within the matrix defined according to the results of the Stakeholder and Management interview process.

Given the complexity, the international extent of corporate Stakeholders and the variety of their expectations, the panel of Stakeholders of the Company from which feedback was requested included:

- the biggest original equipment customers;
- more than 700 end customers belonging to the most representative markets;
- the most important dealers;
- numerous employees in the various countries where the Group is present;
- several Group suppliers;
- the leading financial analysts;
- national and supranational institutions and public administrations;
- international and local NGOs present in the various Countries in which Pirelli has production activities;
- universities that have collaborations with the Group.

The topics submitted for evaluation by Stakeholders are the following:

- Occupational Health and Safety;
- Employees Well-being & Work-life Balance;
- Training and Development;
- Diversity and Equal Opportunities;
- Labour Relations Management;
- Community Engagement;
- Responsible Procurement;
- Human Rights;
- Customer Satisfaction;

- Product Quality and Safety;
- Product Environmental Sustainability (*impacts of the product on the environment: energy efficiency, mileage, weight reduction etc.*);
- Renewable Materials<sup>11</sup>;
- Responsible Use of Natural Resources (energy and water efficiency, waste for recovery);
- Climate Change and Greenhouse Gas Emissions Management;
- End of Life Tyre Recovery and Recycling;
- Legal & Regulatory Compliance;
- Business Ethics and Integrity;
- Corporate Governance;
- Financial Health;
- Road Safety Initiatives.

The priorities expressed by Pirelli and its stakeholders on the above issues have been represented in a materiality matrix showing, on the vertical axis, the expectations of several external and internal stakeholders, while on the horizontal one, the importance that the Management attributes to individual business success factors. The result of such consolidation was presented and approved at the Sustainability Steering Committee held in February 2019 and is outlined below.

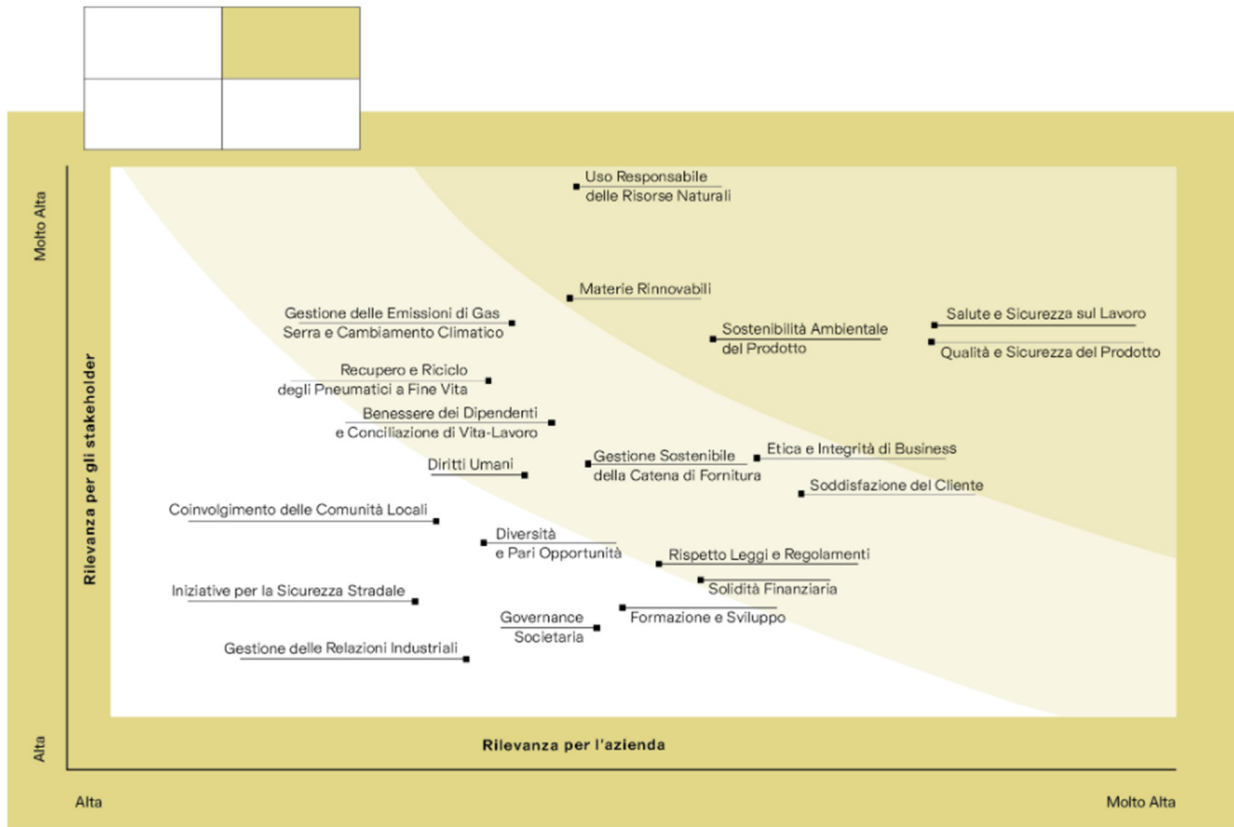
It should be noted that the consolidation of the materiality matrix at Group level tends, by its very nature, to deviate significantly from the materiality matrix consolidated by the Group's Subsidiaries at country level. Elements of sustainability located in an area of minor materiality in the matrix at a Group level may be found to have major materiality for a number of Countries and specific stakeholders who are more directly involved.

The reporting of material issues, related risks and opportunities to these topics and the methods for managing them are reported in this Report, in the paragraph "Operational Risks" (Directors' Report on Operations), as well as in the dedicated paragraphs below.

The materiality matrix is a key element for the definition of a sustainable development strategy in the Group and as such is considered in the definition of the Industrial Plan and related long-term strategic targets that the Company presented in February 2020.

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<sup>11</sup> OECD defines "Renewable Natural Resources" as natural resources that, after exploitation, can return to their previous stock levels by natural processes of growth or replenishment.



## Main Policies

The Sustainable Management Model throughout the value chain is reflected in the main Group Policies, published on Pirelli’s website in multiple languages and communicated to all employees in their local language.

In particular, the following Policies are recalled:

- the “Code of Ethics”;
- the “Code of Conduct”;
- the “Anti-Corruption” Programme;
- the “Global Antitrust and Fair Competition” Policy;
- the Group “Equal Opportunities Statement”;
- the “Health, Safety and Environment” Policy;
- the “Global Human Rights” Policy;

- the “Product Stewardship” Policy;
- the “Global Quality” Policy;
- the “Green Sourcing” Policy;
- the “Social Responsibility Policy on Occupational Health, Safety and Rights and Environment”;
- the “Global Tax” Policy;
- the “Institutional Relations - Corporate Lobbying” Policy;
- the “Global Personal Data Protection” Privacy Policy;
- the “Group Whistleblowing - Group Reporting Procedure”;
- the “Sustainable Natural Rubber” Policy;
- “Pirelli Intellectual Property” (or IPR) Policy;
- “Pirelli Social Media” Policy.

The contents of the aforementioned Policies and the related methods for implementation are addressed in the sections of this Report that deal with the related issues.

Next, a focus on the Compliance programmes “231”, “Anti-corruption”, “Privacy”, “Antitrust” and on the “Whistleblowing” policy.

### ***Programmes of Compliance 231, Anti-corruption, Privacy and Antitrust***

With regard to the administrative liability of companies and bodies provided for by Legislative Decree no. 231/2001 (hereinafter also the “Decree”), Pirelli has adopted an Organization and Management Model (hereinafter also Model 231) structured in a General Section, which includes a review of the regulations contained in the Decree, of the crimes relevant to the Italian companies of the Group and the procedures for adopting and implementing the Model, and in a Special Section, which indicates the corporate processes and the corresponding sensitive activities for the Group’s Italian companies pursuant to the Decree, as well as the principles and internal control plans to supervise these activities.

During 2020, the Board of Directors of the Company approved the new version of the Model, updated in light of the offences provided for in the new Article 25-sexiesdecies, introduced by Law no. 157/2019 and Legislative Decree 75/2020, implementing the Financial Interest Protection Directive (PIF).

Furthermore, in view of the declaration of a public health emergency, the direct and indirect risks deriving from the spread of the contagion and the related impact on the internal control schemes of the Organisational Model were assessed. Also in this context, specific periodical monitoring information flows were introduced to the Supervisory Board concerning the Company's management of the Coronavirus emergency.

During the year, training and communication activities on the current Organisational Model were completed for the entire population of the Group's Italian companies.

In addition, the process of communicating and implementing the Group Anti-Corruption Programme continued in the main Countries in which Pirelli operates. The Programme, available in twenty-two different languages on Pirelli website, is the corporate benchmark for the prevention of corruptive practices and represents a collection of principles and rules aimed at preventing or reducing the risk of corruption. In the document, Pirelli principles already set out in the Ethical Code and the Code of Conduct, including zero tolerance of *"corruption of public officials, or any other party, in any guise or form, or in any jurisdiction even in places where such activity is admissible in practice, tolerated, or not challenged in the courts"* are restated. Among the provisions of the Group Anti-Corruption programme are a prohibition in respect of recipients of the Code of Ethics from offering gifts and other utilities that might meet conditions of a breach of rules, or which are in conflict with the Code of Ethics, or may, if made public, constitute detriment even only to the image of Pirelli. Additionally, *"Pirelli defends and protects its corporate assets, and shall procure the means for preventing acts of embezzlement, theft, and fraud against the Group"* and *"condemns the pursuit of personal interest and/or that of third parties to the detriment of social interests"*.

As part of the anti-corruption programme implementation process, mandatory country-specific training courses have been made available through an e-learning platform. In addition, a Group-wide anti-corruption training course was prepared for the Purchasing Department to raise awareness of the issue so as to make it easier for employees to identify potential critical situations and activate the procedures set out in the internal rules.

The activity aimed at analysing the profiles of corruption risk and continued through the assessment of conformity with local regulations in force in the Countries where the Company is present, the verification of the adequacy of the corporate oversight and the updating of the risk analysis.

Finally, specific procedures have been formalised on the third party due diligence process through the analysis of the activities, conducted in the main Countries, of gathering and verifying information of an ethical, legal and reputational nature relating to counterparties and aimed at identifying potential compliance risks in advance.

During the year, the certification body performed periodic audits on the ISO 37001 Anti-Corruption Management System of Pirelli & C., Pirelli Tyre S.p.A and the Russian and Brazilian entities, reconfirming the validity of the previously obtained certifications. In 2020, the Spanish subsidiary also obtained ISO 37001 certification.

Referring to the contributions made to the External Community, Pirelli has for many years adopted internal procedures defining the roles and responsibilities of the involved functions, and the operational process of planning, achieving monitoring and control of results of the initiatives supported. Pirelli procedure specifies that it may not promote initiatives for the benefit of beneficiaries in respect of whom there is direct or indirect evidence of failure to abide by the human rights, workers, the environment, or business ethics. "Pirelli Values and Ethical Code" set forth in their turn that the Company *"does not provide contributions, advantages, or other benefits to political parties or trade union organizations, or to their representatives or candidates, this without prejudice to its compliance with any relevant legislation"*.

Concerning institutional relations of the Group, and especially activities of corporate lobbying, Pirelli has adopted a Corporate Lobbying Policy for ensuring this is done in abidance with principles ratified by the Ethical Code and the Group Anti-Corruption Programme and in line with International Corporate Governance Network principles and in all cases in compliance with laws and regulations current in countries where Pirelli operates.

In terms of prevention and control, the audits carried out by Internal Audit Department at Group subsidiaries include monitoring of crime risks, among which corruption and fraud figure. In this regard, it should be noted that, with reference to 2020, on the basis of the reports received through the whistleblowing reporting channel, 2 cases of fraud were ascertained to the detriment of the company. There were no cases of public legal action against the company regarding corruption practices.

Additionally, during the course of 2020 the implementation of the Functional Segregation model continued (so-called *Segregation of Duties*), aimed at strengthening the system of internal controls and preventing the committing of fraud.

Also in 2020, Pirelli supported the activities of Transparency International, to which it subscribes as supporter in educational area projects aimed at promoting an active role of civic and moral education in strengthening civil society against crime and corruption, believing that it is only through proactive and firm actions of value promotion that a general improvement in the quality of life can be achieved.

With reference to personal data protection, during 2020 the processing activities carried out by the Group companies based within the European Union, the Russian Federation and Turkey were monitored in order to verify their compliance with the EU Regulation 2016/679, the Russian Data Protection Act and the Turkish Data Protection Act, taking appropriate corrective actions where necessary. At the same time, a project was launched to implement a personal data protection management model for all countries in the APAC region, due to the different legislative changes. In addition, activities continued to adapt the new Brazilian legislation on personal data protection in anticipation of its entry into force on 18 September 2020. Finally, during 2020, Pirelli was not involved in any proceedings, investigations or inspections by data protection authorities, either within the European Union or within elsewhere.

On the subject of Antitrust and in line with the provisions of its *Global Antitrust and Fair Competition Policy*, Pirelli operates in accordance with fair and proper competition for the purpose of Company

and at the same time, market development. In this context, Pirelli constantly updates the Group's Antitrust Programme in line with international best practices.

Throughout 2020 Pirelli continued to implement the Antitrust Programme in the various Countries in which it operates: online training activities were carried out, as well as continuous business assistance to facilitate the management of antitrust issues in the daily conduct of business activities or relationships with other operators.

In 2020 Pirelli was not involved in any antitrust proceedings or investigations as participant in anti-competitive conduct.

For the sake of completeness, it should be noted that the proceeding before the EU Court of Justice was concluded in 2020. The previous decisions of the EU General Court and the EU Commission were confirmed, which, with regard to the investigation into the cartel in the electric cables market, had in 2014 ordered Prysmian Cavi e Sistemi S.r.l., jointly and severally with Pirelli (in its capacity as parent company of Prysmian Cavi e Sistemi S.r.l., although it was not directly involved in the cartel activities), to pay a fine of €67,310,000 plus interest. On 31 December 2020, Pirelli paid its share (equal to 50% of the fine) to the European Commission.

### ***Focus: Reporting Procedure - Whistleblowing Policy***

The Group Reporting Procedure, or Whistleblowing Policy supports the Group' internal compliance and control systems. It is aimed at both employees and external stakeholders; it is internally accessible through intranet and company bulletin boards in the local language and externally through Pirelli website.

The Policy governs the manner of reporting breaches, suspected breaches and inducement to breaches in the matter of law and regulations, principles ratified by the Ethical Code, including, obviously, equal opportunities and all that is dealt with in the above-mentioned Group Policies, internal auditing principles, corporate policies, rules and procedures, and any other behaviour involving commission or omission of acts that might directly or indirectly lead to economic-equity detriment, or even one of image, for the Group and/or its companies.

The Whistleblowing reporting channel is also expressly referred to by the Sustainability Clauses included in each supply order/contract as well as being reiterated in the text of the different Group policies published on the Company's website.

Reports may be made also in an anonymous form and protection of utmost confidentiality is at all times restated, as too is zero tolerance in respect of acts of reprisal of any kind against whoever makes a report or is the subject of the report.

Reports may concern directors, auditors, management, employees of the Company and, in general, anyone operating in Italy or abroad for Pirelli or engaging in business relations with the Group,



including partners, customers, suppliers, consultants, collaborators, auditing companies, institutions and public entities.

The e-mail box [ethics@pirelli.com](mailto:ethics@pirelli.com) is made available to anyone wishing to proceed with an alert, which is valid for all Group subsidiaries, as well as for the External Community, and is centrally managed by the Group Internal Audit function which, in the Pirelli organisation, has a functional reporting to the Audit, Risks, Sustainability and Corporate Governance Committee, made up of only independent directors, and to the Board of Statutory Auditors of Pirelli & C. S.p.A.

Internal Audit Department has the task of analysing all reports received, even involving corporate functions felt to be concerned for the activities necessary of verification, in addition to scheduling specific action plans. In the event of a report being found to be grounded, adopting fitting disciplinary and/or legal actions is foreseen for the protection of the Company.

In respect of reports received in the years 2020, 2019 and 2018, below is a summary table, followed by an in-depth analysis of those pertaining to 2020<sup>12</sup>.

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<sup>12</sup> The data reported are related only to the consolidated scope of the Consumer business. Furthermore, with regard to the 6 reports that were still in progress at the reporting date of the 2019 Annual Report, following the conclusion of the verification activities in 5 cases no objective evidence was found to consider the facts alleged to be true, while in 1 case the partial veracity of the reports was confirmed and the company intervened with specific plans aimed at removing the causes and/or improving the internal control system.

	2020	2019	2018
<b>Total reports</b>	50	77	70
Of which anonymous	17	29	22
Of which filed closed for being absolutely generic	2	7	2
Of which founded	17	25	25
Countries of origin of the reports ascertained	Brazil, and UK	Brazil, Bulgaria, Dubai, Greece, Italy, Romania, and Russia	Brazil, China, Italy, Romania, Russia, United States and UK
Matter alleged in the reports ascertained	Violation of the Code of Ethics and/or company procedures, fraud against the Company or third parties, employee claims, discrimination.	Violation of the Code of Ethics and/or company procedures, fraud against the Company or third parties, product quality anomalies, discrimination.	Violation of the Code of Ethics and/or company procedures, fraud against the Company or third parties, claims by employees, discrimination.
Outcome of cases investigated	Review and integration of processes where deemed fitting, decisions by the functions concerned and the Human Resources Department.	Review and integration of processes where deemed fitting, decisions by the functions concerned and the Human Resources Department.	Review and integration of processes where deemed fitting, decisions by the functions concerned and the Human Resources Department.

During the course of 2020 the Whistleblowing procedure was activated 50 times. In particular:

- the 50 reports were received from 12 different Countries (Argentina, Brazil, South Korea, Egypt, India, Italy, Mexico, Russia, the United States, Turkey, the UK and Hungary);
- 76% of the reports (38 cases) were forwarded using the email address [ethics@pirelli.com](mailto:ethics@pirelli.com) provided, while 24% (12 cases) by sending a letter to management which dealt with informing Internal Audit Department as per corporate rules;
- 66% of the reports (33 cases) were signed whereas the remaining 34% (17 cases) were received in anonymous form;
- among the signed notifications, 8 were activated by external Stakeholders, of which 6 were related to breaches of the Code of Ethics and/or company procedures, 1 case attributable to a report on product quality and 1 case relating to discrimination. It is objectively impossible to confirm that there were, in absolute terms, no further reports from external Stakeholders received as a number of reports were, as specified, anonymous.

Of the 50 reports received during the 2020 year, at the beginning of 2021, 11 were found to be at the verification and in-depth investigation stage, whereas 39 were found to have been concluded.

In respect of these latter, specific activities of verification involving, where necessary, the corporate functions concerned were conducted, and based on the analyses carried out and the documentation made available during the assessment, it emerged that:

- in 22 cases objective corroborating evidence was detected such as to hold the facts contended in the reports received to be true;
- in the remaining 17 cases the substantial truthfulness of the facts attributed was found, in particular, 2 cases concerned fraud against the Company or third parties, 1 case connected to discriminatory attitudes, 1 case relating to an employee claim and 13 cases concerning violations of the Code of Ethics and/or company procedures. The Company has activated for all cases, intervening with disciplinary sanctions (calls and/or dismissals) and with actions aimed at removing the causes of complaints and/or aimed at improving the internal control system.

In terms of trends over the last three years, in 2020 there was on the one hand a slight fall in reports compared to 2019, likely to be linked to the period of the Covid-19 health emergency, and a slight increase in the number of signed reports, further confirming the substantial trust placed in the Company in the management of reports.

The Internal Audit Department periodically reported the reports received and the progress of the analyses carried out to the competent corporate bodies of Pirelli & C. S.p.A.

## ECONOMIC DIMENSION

### Sharing of Value Added

The Values and Ethical Code of Pirelli ratify the commitment of the Company to operate to ensure responsible development over the long term, while being aware of the connections and interactions between economic, social and environmental dimensions. This is to wed the creation of value, the progress of the company, the attention given to Stakeholders and the raising standards of living and quality of the environment.

“Added value” means the wealth created over a given reporting period, calculated as the difference between the revenues generated and the external costs sustained in the period. Distribution of added value among Stakeholders allows the relations there are between Pirelli and its main Stakeholders to be expressed by focusing attention on the socio-economic system in which the Group operates.

<b>DISTRIBUTION OF ADDED VALUE (in thousands €)</b>						
	<b>2020</b>		<b>2019</b>		<b>2018</b>	
<b>Gross Global Added Value</b>	<b>1,674,788</b>		<b>2,315,148</b>		<b>2,177,745</b>	
Remuneration of personnel	(949,678)	56.7%	(1,072,167)	46.3%	(1,067,579)	49.0%
Remuneration of Public Administration	(14,693)	0.9%	(164,562)	7.2%	(52,964)	2.4%
Remuneration of borrowed capital	(156,502)	9.3%	(109,480)	4.7%	(196,311)	9.0%
Remuneration of risk capital		0.0%	(177,000)	7.6%	-	0.0%
Remuneration of the company	(548,726)	32.8%	(788,044)	34.0%	(857,079)	39.4%
Contributions to the external community	(5,189)	0.3%	(3,895)	0.2%	(3,811)	0.2%

The added value created in 2020 is 28% lower than in 2019. This change is mainly due to the impact of the Covid-19 emergency and the resulting deterioration in the economic outlook. Trends in the items determining gross global added value, as shown above, are set out in the Directors’ Report and Consolidated Financial Statements and related explanatory notes section of this report, to which reference is made for further in-depth study.

### Contributions to the external community

The impact of expenses for corporate initiatives in 2020 for the external community on the net result of the Group amounted to 12.2% (0.9% in 2019). The increase in this ratio compared to the previous year is due to the increase in the absolute value of the contributions made during the year to the external community in response to the Covid-19 emergency, which in turn were weighed on a reduced Group net result compared to the previous year.

The table below shows the expenses incurred in the last three years:

<b>CONTRIBUTIONS TO THE EXTERNAL COMMUNITY (in thousands €)</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Training and research	738	691	823
Social-cultural initiatives	1,441	2,136	2,181
Sports and solidarity	3,010	1,068	807
<i>Of which Covid-19 donations</i>	2,745		
<b>Total contributions to the external community</b>	<b>5,189</b>	<b>3,895</b>	<b>3,811</b>

For further study of the main initiatives supported by the contributions indicated above and related model of governance, please refer to the paragraphs in this report devoted to corporate contributions and initiatives for the external community.

In line with what is set forth in the Code of Ethics, Pirelli “*does not provide contributions, advantages, or other benefits to political parties or trade union organizations, or to their representatives or candidates, this without prejudice to its compliance with any relevant legislation*”.

### **Loans and contributions received from the public administration**

The main contributions received by the public administration in 2020 are shown below.

#### **Romania**

The Company S.C. Pirelli Tyres Romania S.r.l. received a non-repayable grant of €28.5 million from the Romanian state as an incentive for local investments, of which €6.9 million in 2020 (the incentives were paid from 2018 onwards).

#### **Italy**

The Company Pirelli Tyre S.p.A. obtained incentives from the Lombardy Region in the form of non-repayable grants of €1.7 million and €2.4 million for the implementation of two Research and Development projects on Safety and Smart Manufacturing, of which €1.7 million and nearly €1 million were collected respectively. With reference to the agreement signed with the MiSE (Ministry of Economic Development) in the previous year for the facilitation of three Research and Development projects up to a maximum of €6.3 million in the aggregate, in the current year the Company completed the approval process with the presentation of the final facilitation applications and for the subsequent preliminary assessments by the competent body.

## **Mexico**

As from the 2012 financial year, Pirelli Neumaticos S.A. de C.V. (Mexico) has received grant contributions from the Mexican Federal Government for investments and generation of employment for the ProMéxico project, for a total of €10 million. The final balance of €0.4 million was received in 2020.

## **RELATIONS WITH INVESTORS**

In accordance with what is set out in the Values and Ethical Code of the Group, Pirelli engages in constant dialogue with shareholders, bondholders, institutional and individual investors, and analysts at the major investment banks via the Investor Relations function and the Group's Top Management, promote communication that is equal, transparent, timely and accurate.

During 2020, Pirelli intensified its dialogue with the financial market. On 19 February, in Milan, it presented the 2020-22 Industrial Plan, which was attended by leading Italian and foreign analysts and investors. Following the Covid-19 emergency, communication activities continued through digital channels using the website, videos and conference calls. From the outset, the company provided full visibility on the impacts of the pandemic, and on the actions taken to protect employees. Pirelli was the first company in the Auto & Parts sector to update its market outlook and targets for the current year, despite the uncertain and volatile scenario.

In line with international Best Practices, the "Investors" section of the Pirelli website is constantly updated with information on strategy, business model, market performance and positioning with respect to competitors.

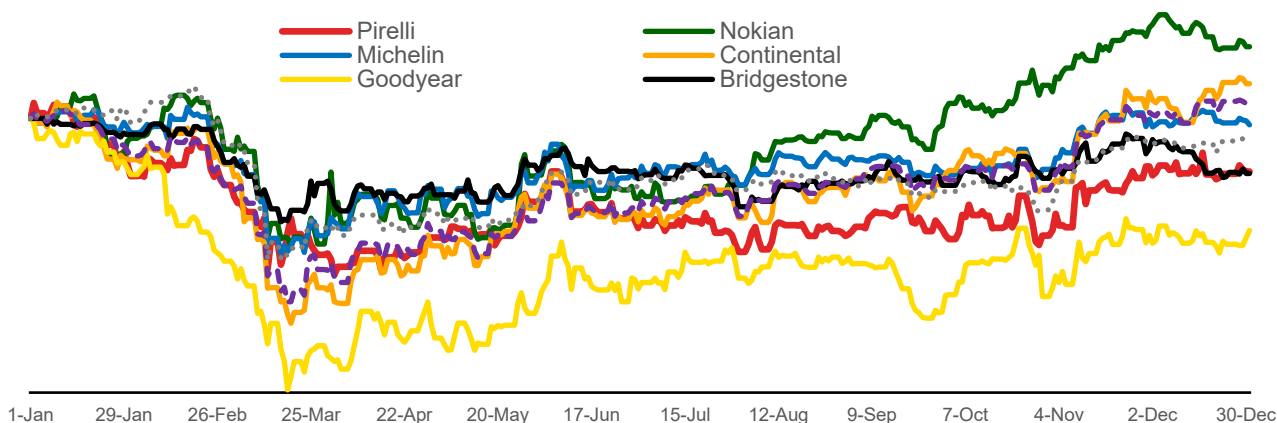
The interest of the financial community towards Pirelli is proved by the broad coverage of the stock by 20 of the main national and international business banks and brokers and by the inclusion of the company in the main indices, including FTSE ALL World, FTSE MIB, MSCI Italia and FTSE Italian Brands.

The evaluation (Target Price) and the analysts' estimates (Consensus) are published in the "Investors" section on the company's website and periodically updated, based on publications and model updates by analysts covering the stock.

As a result of the health crisis, equity markets were characterised by unusual volatility in 2020, with the stock market trend being driven by news flow related to the Covid-19 emergency and monetary/fiscal policy interventions to counteract the real economy effects of the ongoing pandemic. The main cyclical sectors, including Auto & Parts, were among the worst hit on the stock market. Pirelli ended 2020 with a market capitalisation of €4.45 billion (average December capitalisation),

down -14%<sup>13</sup>. This compares with -29%<sup>13</sup> for Goodyear, -14%<sup>13</sup> for Bridgestone, -2%<sup>13</sup> for Michelin, +9%<sup>13</sup> for Continental, +19%<sup>13</sup> for Nokian, and +4%<sup>13</sup> for the EU Stoxx 600 A&P index.

Below is a summary of stock market performance since the beginning of the year:



Pirelli’s commitment to the creation of sustainable value that characterizes the Company’s responsible management and its economic, social and environmental performance allows it to be included in some of the world’s most prestigious sustainability stock market indices, including Dow Jones Sustainability Index World and Europe and FTSE4Good, both of which have top industry ratings globally, Ethibel Sustainability Index (ESI) Excellence Europe, ECPI, ISS ESG Rating and MSCI ESG Rating.

With particular reference to the Dow Jones Sustainability indices, in November 2020 Pirelli was recognised, as in 2019, as world leader in the Auto & Components sector in the Dow Jones Sustainability Indexes World and Europe, with a score of 84 compared to a sector average of 35. In addition, in February 2021, Pirelli was the only company in the Auto Components sector worldwide to be awarded “Gold Class Distinction” in the Sustainability Yearbook 2021 published by S&P Global; both the Dow Jones Sustainability Index and the Sustainability Yearbook are based on S&P Global’s Annual Corporate Sustainability Assessment, which analyses the ESG performance of over 7,000 listed companies in 61 different sectors.

It should also be noted that, in December 2020, Pirelli was reconfirmed on the *Climate A List* of the CDP (formerly Carbon Disclosure Project) and became one of the global leaders in the fight against climate change. In 2020, more than 9,600 companies reported their greenhouse gas emissions through the CDP, a non-profit organisation supported by more than 515 institutional investors, managing assets worth more than US\$106 trillion.

<sup>13</sup> Stock market trend 1 January - 31 December; the value is net of dividend distribution and/or other extraordinary transactions.

For more information reference is made to the Investors section of Pirelli website, which offers a comprehensive and constantly updated source of information on matters of interest to shareholders and the financial community.

## **OUR CUSTOMERS**

Pirelli is the only global tyre manufacturer entirely dedicated to the Consumer market, which includes tyres for cars, motorcycles and bicycles.

The company is focused on the High Value market and is committed to developing innovative tyres and Specialties and Superspecialties for a broad product portfolio. Sales channels include:

- Original Equipment, addressed directly to the world's leading car manufacturers;
- Replacement, for the replacement of tyres on vehicles already in circulation.

In the Original Equipment Vehicles, Sport Utility Vehicles (SUVs) and light commercial vehicles segment, Pirelli can count on a Premium customer market share of around 20% globally and more than 20% in Europe; in the Prestige segment, which ranks at the top of the range, Pirelli exceeds 50%.

In the Replacement segment, there are two broad types of customers: Specialised Resellers and Distributors. Specialised Resellers are tyre specialists operating on the market in the role of independent businesses, specialised dealers constitute a fundamental point of contact between the Group and the end consumer. Particular attention is devoted to specialised dealers in terms of shared development to enhance the product offering integrated with a high-quality level of service, in compliance with Pirelli values and consumer expectations. In 2020, Pirelli can count on around 17,000 Loyal Resellers globally, with a particular concentration in Europe, Asia-Pacific and South America (about 75% of the total points of sale). The degree of affiliation varies according to the market and the very presence of Pirelli, ranging from a softer loyalty (Fidelity Club), whose main objective for Pirelli is territorial coverage and for the dealer sales support; to franchise programmes, in which through the exclusivity of the partnership there is strong focus on business development point of sale overall; up to the maximum degree of affiliation, represented by the presence of points of sale owned by Pirelli (304 points of sale worldwide).

Starting in 2016, and in line with Pirelli's "Prestige" strategy, a new retail concept called P ZERO WORLD™ was born, with the aim of offering the best services to satisfy the most demanding consumers. P ZERO WORLD™ offers its customers the entire range of Pirelli products (Car, P ZERO™ Trofeo®, Pirelli Collection, Moto and Velo) and a series of customer-oriented services such as car valets and courtesy cars, all immersed in an environment that allows you to fully experience the Pirelli World, being able to touch the most important assets such as F1®, the Calendar and the partnerships of Pirelli Design. By 2021, the P ZERO WORLD™ Network will identify approximately 135 stores among Pirelli's best customers, located in the main countries of the world. Among these,



5 are already active Flagship Stores (Los Angeles, Munich, Monte Carlo, Dubai and Melbourne), while the remaining are authorised dealers, with about 50 new openings planned for 2021.

“Distributors” are partners who are fundamental to guaranteeing continuity in the supply of tyres to other specialised and non-specialised resellers. They do so by offering local delivery and distribution services throughout the entire territory. With this in mind, Pirelli is activating several programmes of close cooperation with the most important market distributors worldwide.

### **Customer focus**

Customer focus is a central element of the Group “Values” and “Ethical Code” and the Quality Policy and Product Stewardship Policy of Pirelli. These documents outline the company positioning and are therefore communicated to all employees in the local language and are available in many languages on the Pirelli website.

Among the essential elements of the Pirelli approach, the following are highlighted:

- consideration of the impact of its actions and behaviour on the customer;
- exploitation of every opportunity offered by doing business to satisfy the customer’s needs;
- anticipation of customer needs;
- safety, reliability, high performance of products and services offered, in accordance with local regulations and more developed national and international standards applicable, as well as excellence of production systems and processes;
- information to customers and end users to guarantee an adequate understanding of the environmental impacts and safety features of Pirelli products, as well as of the safest ways of using the product.

Pirelli also adopted a clear procedure to grant a feedback to any customer claim, which involves immediate intervention with respect to the interlocutor.

### **Transparency, information and customer training**

In the context of advertising communication, Pirelli has defined a traceable and transparent process for decisions relating to advertising campaigns and related media planning, both in the case of promotional activities managed centrally and locally with central supervision.

In terms of production of advertising campaigns and media planning, Pirelli uses specific auditing and certification structures that place the Company at the highest levels in terms of transparency and traceability in its advertising investment strategies.

The Pirelli Group endorses the IAB (Interactive Advertising Bureau) and is associated with the UPA (Associated Advertising Users), among other things dedicating ongoing commitment to support the Advertising Code of Corporate Governance of the association. Through the UPA, Pirelli is a member of the WFA (World Federation of Advertisers), which commits participating firms to pursue honest, truthful and fair competition and communication in compliance with the code of conduct and self-regulation which they adopt. Consumer protection is also guaranteed by the choice of suppliers in the communication sector (creative agencies, media centres, production companies) that in turn belong to business and professional associations governed by ethical codes regarding communication.

Pirelli provides information to customer-distributors and end customers on a continual basis. This information concerns both the product and related initiatives, and is disseminated in a variety of ways, including digital channels, and this is complemented by information distributed in hard copy format, as well as the range of offline and online training activities.

With 55 Car websites (in 29 languages) and 20 Motorcycle websites (in 14 languages), online represents for Pirelli a fundamental point of contact with the customer in the tyre purchase process. These product websites, located not only by language, but also for content, offer and promotional activities, have the objective of informing and guiding the consumer, in all countries where Pirelli markets its products, to the points of sale where to buy the tyres. In 2020, these websites attracted 7.9 million unique users, for a total of 10.3 million sessions and 33 million page views.

A further digital touchpoint that brings the consumer to the point of sale is represented by the Retail sites: present in 10 countries, it has intercepted 1.8 million users in 2020 (for a total of almost 9 million page views) and generated about 120,700 appointment bookings, 72,000 calls to the dealer, more than 5,000 contact requests via e-mail.

In 2020 Pirelli continued to inform its customers through a Direct Email Marketing (DEM) programme whose main objective is to provide an additional tool for communication, training and ongoing contact with the trade. The DEMs aim to inform trade customers of the main new products, the Company and the courses available to become Pirelli Product Experts.

During 2020, due to the health emergency, almost all the major events that usually populate the automotive world, and which have always been the main focus of Pirelli's activities (Autoshows, Concours d'Elegance, rallies, etc.), were cancelled. It was possible, however, to participate as a partner in the 2020 edition of the Salon Privé, held under the aegis of a very strict anti-Covid protocol, and to give life to two events of the P Zero™ Experience, one in Abu Dhabi and one at the Red Bull Ring, which hosted a total of 256 owners of supercars.

Pirelli continues its commitment alongside the sports more in line with the prestige and high performance positioning that characterise the company and its products: this is the case of the partnership started with Luna Rossa, *challenger of record* in the upcoming America's Cup 2021, in addition to the close sponsorship relations with FC Internazionale Milano, the Italian Winter Sports Federation and the Alpine Ski World Championships and IIHF World Ice Hockey Championship.

Customer training on the product was also intense in 2020 in all markets, despite the shift to virtual delivery due to the spread of the Covid-19 pandemic. During the year, almost 15,000 participations of dealers, belonging to the 28 main markets, in online training courses on the Pirelli product, technology and tyre sales were recorded.

In order to support the product trainers, Pirelli has developed a library of technical content developed for classroom courses and the “TYRE CAMPUS™ Case” instrument, which aims to concretely demonstrate the characteristics of Pirelli tyres, the raw materials used for their manufacturing and the differences between the different tread. With these tools, Pirelli trainers around the world can have concrete and innovative support that allows customers to personally understand and verify the key characteristics and advanced technology of Pirelli products.

During 2020 there was an increase in the use of the online training site TYRE CAMPUS™, which now covers 28 markets in 17 different languages. To date, more than 14,000 points of sale are registered on the new site, with a total of over 15,200 active users. Training on the product is provided in an engaging and customisable way on the various types of distribution channel, with more paths linked to the individual product families. In addition to being involved in a modern and intuitive environment, users are also involved in the “Product Expert” certification which can be obtained and downloaded from the site once all the training courses assigned during the year have been completed.

Pirelli also continues to certify all its dealers who complete the product training successfully. The certificate is indicated by a “Product Expert” plaque to be displayed at the point of sale. This way, consumers can recognise which dealers are the most specialised and qualified on the technical features and benefits of all the products of the Pirelli range.

### **Listening and exchanging ideas with Customers as sources of continuous improvement**

Customer relationships are managed by Pirelli principally through two channels:

- The local sales organization, which has direct contact with the customer network and which, thanks to advanced information management systems, is able to process and respond to all information requirements of the interlocutor on-site.
- the Pirelli Contact Centres, nearly 30 worldwide with more than 160 employees, performing business operations in IT support and order management (inbound), telemarketing and teleselling (outbound).

In 2020, the major social media channels of Pirelli have seen an increase in the fan base. Pirelli’s presence on Facebook has stabilised at over 2.6 million followers. On Twitter, the Pirelli accounts have seen an increase in followers, reaching more than 344,000 people, over 14% more than in 2019. An important step forward was on Instagram, where the Pirelli channels reach 864,000 followers, an increase, year-on-year, of more than 9%. Finally, there are about 24,000 followers of Pirelli on the main online video platform, YouTube, and over 510,000 followers on LinkedIn.

As for [www.pirelli.com](http://www.pirelli.com), Pirelli's *digital magazine*, 369 articles were published in 2020 - 70% of which related to product and motorsport issues and 30% to the dimensions of the brand and company - attracting over 4 million visits (55% of which were attracted through social networks) and more than 3 million unique users.

As for the Motorcycle world, Pirelli and Metzeler brands boast a structured and widespread presence on the main social networks: Pirelli brand, as well as on the Facebook channel (with more than 988,000 fans connected to the Global Page which includes 18 local pages) is on Instagram with over 154,000 followers and has dedicated profiles on Twitter and YouTube. Significant for the business is the mobile application DIABLO™ Super Biker, which has been downloaded by more than 690,000 people around the world and which was completely renewed and improved in 2020 from the point of view of the usability and functionality offered to the motorcyclist. The Metzeler brand, in addition to its international website and geo-localised in 24 countries worldwide, is present on Facebook with a Global Page that has more than 437,000 fans and includes 16 local pages in as many Countries. As with Pirelli brand, Metzeler has had active Instagram, Twitter and YouTube profiles for years. The CRM (Customer Relationship Management) project, in turn, has a priority position given the passion for Pirelli products by the registered community of motorcyclists: nearly 450,000 for PIRELLI Moto and over 65,000 for Metzeler.

Pirelli Velo, in turn, speaks with its consumers also through a website dedicated to the world of cycling. Immediately active in Instagram, Pirelli Velo bases its communication on digital activation in line with the propensities of its target consumer.

Also in 2020 direct customer listening activities were carried out both through the Brand Tracking survey in Pirelli's Top Market (Italy, Germany, United Kingdom, China and United States) and through surveys to consumers with whom Pirelli has a direct and constant dialogue thanks to structured CRM activities. The ongoing changes made to this study over the years have made it possible to refine and improve the precision of business insights into the brand role, image profile and characteristics of the different touchpoints that influence the end customer's purchase decision.

In terms of performance indicators, Pirelli considers *Top of Mind*, *Brand Awareness* and *Brand Consideration*. With reference to the *Target Premium 18" Up* represented by Premium car owners which can mount tyres with rims equal or higher than 18 inches, the analysis carried out in 2020 saw Pirelli positioned among the main tyre brands: in second place for *Top of Mind*, *Brand Awareness* and *Brand Consideration* in the United Kingdom, in first place for *Top of Mind* and *Brand Awareness* and second place for *Brand Consideration* in Italy, third place for *Top of Mind* and *Brand Awareness*, and fourth place for *Brand Consideration* in Germany. Outside Europe, Pirelli is in fifth place for all KPIs in the USA; and in fourth place for *Brand Consideration*, but seventh place for *Top of Mind* and fifth place for *Brand Awareness* in China.

## Product safety, performance and eco-sustainability

Safety and technological solutions in support of the environment are essential values of Pirelli's product offering and commitment. In 2020 the Company confirmed its continued focus on the development and marketing of tyres and technologies that aim to increase safety and enhance the potential of cars in tandem with attention to the environment.

For Pirelli, 2020 marked the launch of the new generation of the CINTURATO P7™, one of the Company's flagship products that has always been synonymous with reliability and safety, which has won awards from consumers and top carmakers. The CINTURATO P7™ was presented with about 50 Premium homologations to its credit on the main reference manufacturers (BMW, Mercedes, Volvo, Jaguar, Alfa) as a result of a clear message regarding safety (reduction in braking distance of up to 4 metres) and attention to the environment (reduction in fuel consumption of up to 4% and a 1 dB reduction in noise emissions).

The pursuit of all-round safety in terms of total mobility (the cohesion between 3PMSF and SEAL INSIDE™) is also confirmed by the growth in 2020 sales with SEAL INSIDE™ technology, thanks to investments in original equipment and the product USP of CINTURATO™ All Season Plus, whose range in 2020 benefited from an 18" Up size package that supported the increase in sales (+186% vs 2019 of Cinturato AllSeason+ with ≥18" siping).

Finally, the safety and performance of Pirelli products are certified by tests carried out by leading automotive magazines. Pirelli achieved 7 podiums in Europe/Nordics in 2020, including three for Nordics tyres (two with the latest-generation Icezero 2 studded tread and one with ICEZERO FR tread). The P ZERO™ finished on the podium in the EVO test with best in class in Wet Grip (*outstanding in wet*). The new CINTURATO P7™ took second place in Quattroruote. Tire Rack also tested the CINTURATO P7™ ALL SEASON PLUS II and declared it the winner in "Category-leading comfort and responsive feel on the road".

Attention to the evolution of mobility and the environment is also expressed in the ELECT™ tyre range, which distinguishes all tyres developed specifically, together with car manufacturers, for electric vehicles. The marking represents the clear identification of a tyre built through technological solutions and material packages capable of enhancing the technical features of electric cars, in particular in terms of:

- low rolling resistance, to increase the life of the car battery;
- low acoustic emissions, for greater driving comfort, in line with the silence of electric traction;
- greater resistance of the carcass to better support the weight increase of the car given by the batteries and, at the same time, guaranteeing better handling;
- greater resistance of the tread compound to support the higher torque generated by the electric motor, ensuring the necessary road grip.

Pirelli's growing role in the electric segment and strategic development partner is also made even clearer by the achievement of about 70 homologations from 13 different carmakers.

Particularly suitable for electric vehicles, but not only, is the PNCS™ technology, a crucial innovation for reducing noise inside the passenger compartment generated by tyre rolling as a result of stress between the road surface and the tread pattern. The benefits have been recognised by car manufacturers such as Jaguar-Land Rover, Audi, Volvo, Mercedes, Ford, Tesla, Porsche, Bentley, McLaren, Aston Martin and BMW, with over 250 homologations. PNCS™ technology not only increased its impact on overall sales but also demonstrated its potential and interest on the part of OEMs and end users during 2020, even during a year strongly characterised by the global macroeconomic context, maintaining sales to the original equipment channel unchanged compared to 2019 and showing growth in the replacement channel (+48%).

### **High Value approach to future mobility**

Pirelli carefully monitors the evolution of mobility and its main trends such as digitalisation, electrification, shared mobility and driving automation, elements that were already present before the health emergency and that are expected to evolve strongly in the coming years. The health emergency has indeed highlighted the importance of personal health and safety, and a recovery is expected to be oriented towards greater sustainability for people and the planet, in which technologies can play a fundamental role in making the mobility of the future safer, more accessible, more efficient and with less environmental impact.

The mobility of the future cannot ignore digitalisation, and in this area Pirelli is present with the Cyber™ project and tyre sensor-fitting, an integral part of the Group's strategy that makes technological innovation a distinctive and key element in responding to the major issues that will transform the concept of mobility, which sees a future of self-driving cars, electric cars, shared cars and cars connected via 5G to the entire road infrastructure.

In fact, experimentation activities related to 5G connectivity and the enabling of V2V and V2X communication continue, where the tyre plays a fundamental role in recognising and communicating potentially dangerous situations related to road surface conditions. This trial, promoted by the Italian Ministry of Economic Development and led by Vodafone, sees Pirelli as the project's industrial partner with its Cyber Tyre technology, a key player in important use cases of future 5G connected mobility, with significant spin-offs in terms of transport safety, efficiency and sustainability.

In 2021, the development of Cyber Tyre technology will see the market launch of the first car with tyres natively integrated with the vehicle's electronic systems. This integration project, which has taken several years and involved the R&D teams of Pirelli and McLaren, opens the way to new developments and innovations. The new McLaren Artura with Cyber Tyre technology as standard, is equipped with an advanced tyre monitoring system that can check tyre conditions in real time and provide timely indications to increase safety and performance, both on the road and on the track.

The mobility of the future, in fact, will be characterised by an increasingly marked polarisation: on the one hand its service dimension, on the other the passion of those who, on the road or on the track, will continue to drive a car for the sheer pleasure of being behind the wheel. With these people in mind, Pirelli Track Adrenaline™ was created, an advanced telemetry and sensor-fitted tyre monitoring system for amateur drivers. Introduced in Italy in the summer of 2019, in 2020 Pirelli Track Adrenaline™ was introduced in Belgium, Germany, the UK, Austria and the United Arab Emirates. In Belgium, a partnership has also been launched with an international organiser of track events, with the aim of shifting the focus from pure speed, to the acquisition of increasingly refined driving skills.

In terms of fleets and reducing their management costs, Pirelli is pursuing the Cyber Fleet project, a system based on tyre sensors and constant monitoring of pressure and temperature parameters. Through a tyre management portal, Cyber Fleet makes it possible to predict and schedule maintenance operations, reducing the risk of breakdowns, as well as providing important KPIs on fuel consumption and CO<sub>2</sub> emissions. In 2020, Cyber Fleet technology was integrated into the platforms of a number of important fleet suppliers who wanted to enrich their offerings with the tyre management system developed by Pirelli.

The mobility of the future also partly consists of a return to the past, where bicycles, now electrified, play an important role, especially in urban mobility. This is why, since 2017, Pirelli has returned to the world of bicycle tyres (consider that the first Pirelli tyre at the end of the 1800s was a bicycle tyre) where it is present with several product lines: P ZERO™ for high-performance racing bikes and a user devoted to maximum performance, CINTURATO™ for Endurance and Gravel bikes, where the more playful component of exploration and sporting activity understood as wellness and lifestyle becomes preponderant over pure performance, the line dedicated to the off-road world of Mountain Bike SCORPION™ with all its variants, from Cross Country to E-MTB, and finally the Urban CYCL-e™ tyre line, ideal for all city and non-pedal commuting situations.

Pirelli has also dedicated itself to micro-mobility projects such as CYCL-e around™ which, through pedal-assisted bicycles, promotes a comfortable and sustainable mobility style on holiday and in daily life. It is a turnkey e-bike rental service for private communities, mainly hotels and companies. In 2020, activities in hotels were consolidated and experimentation in the corporate sector began with two tests involving the Fatebenefratelli Sacco hospital (pro bono) and Pirelli's headquarters. Last but not least, collaboration with a school with a strong technological vocation, I.I.S. Volta in Pescara, as part of the Future Class project.

## **Quality and product certification**

**ISO 9001:** since 1970, the Group has had its own Quality Management System introduced gradually at all its plants and, since 1993, Pirelli has obtained certification of its quality system under the ISO 9001 standard. The transition process of its plants and the Headquarters to certification according to the new ISO 9001: 2015 ended in September 2018. In 2019, all the certifications obtained were verified by third-party bodies and kept active. In 2020, following the pandemic situation related to

Covid-19, the IAF (International Association Forum) admitted the possibility of implementing remote audits and extending the validity of expiring certificates. Pirelli has guaranteed the implementation of remote and field recertification and surveillance audits, where possible, in accordance with IAF rules and in compliance with the rules for the preservation of personnel health, established by the country and the company itself. The audits required for the subsidiaries in Argentina, Turkey and Germany have been postponed until January 2021.

**IATF 16949:2016:** since 1999 the Group has obtained the certification of its Quality Management System according to the automotive scheme and subsequent evolutions. Following the evolution of ISO 9001: 2015 and the new IATF 16949:2016 (Automotive Scheme became private), Pirelli achieved the Quality Management System certification in 100% of its eligible plants as at 31 December 2018. In 2019, all the certifications obtained were verified by third-party bodies and kept active. In 2020, due to the pandemic situation, the International Automotive Task Force allowed remote audits starting on October 30, 2020. In this case as well, Pirelli guaranteed the implementation of surveillance and recertification audits in the field, and then remotely, in accordance with IATF rules and in compliance with the rules for the preservation of personnel health, established by the country of origin and by the Company itself. At the end of the annual audit cycle of the plants and Headquarters, the surveillance or recertification audits postponed to January 2021 relate to the subsidiaries in Argentina, Turkey and Germany.

**ISO/IEC 17025:** since 1993 the Materials and Experimentation Laboratory of Pirelli Tyre S.p.A. and since 1996 the Experimentation Laboratory of Pirelli Pneus (Latin America) hold the Quality Management System and have been accredited under the ISO/IEC 17025 standard. This system is maintained in accordance with the standard in force and the ability of the laboratories to perform accredited tests is evaluated annually. In accordance with the rules for transition to ISO/IEC 17025:2017, in 2019 Pirelli Tyre S.p.A. Laboratory successfully obtained accreditation for the new version. In 2020, the laboratory carried out its annual remote surveillance audit as required by the Accreditation Body Accredia.

The labs participate in proficiency tests organised by the International Standard Organisation, by ETRTO or by international circuits organised by auto manufacturers. Specifically with regard to car tyres, the focus on quality is confirmed by Pirelli's supremacy in numerous product tests. It is also guaranteed by its collaboration on product development and experimentation with the most prestigious partners (auto manufacturers, specialised magazines, driving schools, etc.).

The Product Certifications, which allow the marketing of the same in the various markets in accordance with the regulations laid down by the different Countries and, for some markets, are managed directly by the Quality Function. The prevailing certifications, obtained in Pirelli Group, concern the markets of Europe, NAFTA, South America, China, Gulf Countries, India, Taiwan, Indonesia, South Korea, Japan and Australia, and involve all Pirelli factories. These Certifications periodically require factory audits by ministerial bodies of the countries concerned or bodies delegated by them, with the aim of verifying product compliance at Pirelli production sites.



In 2020, some Type Approval Authorities (e.g. for the China, Uruguay, and Nigeria markets) carried out remote audits to verify production compliance.

## **Compliance**

Also in 2020:

- no cases emerged of non-compliance with regulations or voluntary codes concerning marketing activities, including advertising, promotion and sponsorship;
- no significant final penalties were levied and/or paid relating to infringement of laws or regulations, including those relating to the supply and use of the Group's products and/or services, with the exception of the sanction upheld by the EU Court of Justice, already mentioned in the Compliance-Antitrust section;
- no cases emerged of non-compliance with regulations or voluntary codes concerning information and labelling of products/services which have led to the imposition of sanctions and/or injunctions by the applicable authorities;
- no cases of non-compliance with regulations or voluntary codes concerning health and safety impacts of products/services during their life cycle;
- there were no documented complaints concerning both violation of privacy and/or the loss of consumers' data;
- there were no bans or disputes on the sales of any Pirelli product.

## **OUR SUPPLIERS**

### **Supply Chain Sustainable Management System**

The supply chain management model adopted by Pirelli fully complies with the provisions of the international guidelines for sustainable procurement ISO 20400 - "Sustainable Procurement Guidance", as certified at the beginning of 2018 by a third party (SGS Italia S.p.A.) following an in-depth evaluation. The analysis confirmed that the requirements of the ISO 20400 standard are fully met by Pirelli's procurement model, both in terms of corporate policies and strategies and in terms of managing the internal processes needed to implement sustainability requirements in purchasing dynamics, and at a more operational level in the direct management of supplier ethical performance. The certification of full compliance with ISO 20400 is in addition to the certification of compliance obtained by the Company with the guidelines on social responsibility dictated by ISO 26000.

The Group's relations with suppliers are based on loyalty, impartiality and respect for equal opportunities for all the subjects involved in the purchasing processes, as required by the Group Code of Ethics.

The sustainable management of the supply chain is handled in the "Green Sourcing Policy", the "Social Responsibility Policy on Occupational Health, Safety and Labour Rights, Environment", the "Global Health, Safety and Environment Policy", the "Global Human Rights Policy", the "Global Quality Policy", the "Product Stewardship Policy", and in the Group's "Sustainable Natural Rubber Policy". In all the documents cited, with reference to the specific social and environmental issues discussed from the individual Policies, Pirelli undertakes to establish and maintain the procedures necessary to evaluate and select its suppliers on the basis of their level of social and environmental responsibility, as well as to request their suppliers implement a similar management model, in order to extend its responsible management in the supply chain as far as possible back to the origin of the chain.

The Policies mentioned are available to suppliers in their local languages; for the full text in several languages please see the Sustainability Section on Pirelli website.

The social, environmental and business ethics responsibilities of a Pirelli supplier are assessed together with the economic and product or service quality to be supplied, right from the selection as potential supplier stage.

Analysis of ESG performance (Environment, Social, Governance) continues through the qualification stage of the future supplier pre-analysed at the assessment phase, and then is "contract bound" through the Sustainability and business ethics clauses included in every contract/purchasing order.

After the supply agreement has been made, the sustainability performance of the supplier is audited on-site by an independent third party.

The aforementioned Management Model and the related documentation are available on the institutional Pirelli website, in the "Suppliers Area" ([Pirelli.com/suppliers](http://Pirelli.com/suppliers)), section devoted to the world of supply and accessible to current and potential Pirelli suppliers, as well as anyone with an interest in knowing the approach and procedures adopted by the Company in the areas of purchases of good and service around the world.

### **ESG elements in the purchasing process**

Pirelli uses the same approach to assessing ESG performance throughout the entire process of interactions with a supplier, although in different ways among them, consistently with the intensity of the interactions characterising the specific procedural stages.

During a first phase of **scouting**, and thus assessment of potential suppliers of goods or services, a buyer who has been adequately trained is able to gain a first impression of the abundance by the ESG

and product or service requirements by the potential supplier. This makes it possible to eliminate potential future suppliers that are clearly in possible violation of Pirelli expectations.

Pirelli asks suppliers who gain access to the **on-boarding** (pre-qualification and qualification) phase to fill in the questionnaire through which the supplier can view and simultaneously accept Pirelli's requests in terms of economic, social, environment and business ethics responsibilities. Among the questions asked to the potential supplier, for example, the request to certify that its company checks workers' ages before hiring them, and it ascertains that all of its employees satisfy the minimum legal working age; uses workers provided with a written labour contract and who work on a voluntary basis exclusively; abides by workers' rights of freedom of association and participation in trade-union activities; pays wages that meet the minimum legal standards; manages disciplinary practices, if any, abiding by the law; abides by and applies legislative/contract provisions in the matter of work schedules, overtime and rest periods.

The process then continues with further questions aimed at identifying potential integrity and corruption risks in advance. For specific product categories (raw materials), information on loss prevention is also requested, key elements not only to prevent future cases of "business interruption", but also closely related to the safety of workers employed at the supplier's site.

For all potential new suppliers and/or facilities of raw material and high value added parts, which by their nature can become development/long-term partners for the Company, and which are also granted much of the spending of purchases, Pirelli conducts a third-party preliminary on-site audit during the qualification phase to verify the level of compliance of the potential supplier with respect to the principal national and international regulations on Work, Environment and Business Ethics. The non-acceptance of the audit and/or not signing the corrective action plan shall block the qualification of the supplier.

This is also the context of more than ten years of preventive assessment of new raw materials and new auxiliary products from the perspective of workers' health and the environment is carried out before the materials in question are used extensively by the Group's operating units. The assessments are carried out taking into account not only the requirements of the more restrictive European regulations on the management of hazardous substances (for example, the so-called "REACH" and "CLP" Regulations), but also by virtue of the standards and knowledge available at international level (specific databases, etc.).

Also worthy of mention are the activities of monitoring the producers and suppliers of the raw materials with regard to compliance with the requirements of Regulation (EU) 2017/821 (as modified by Regulation (EU) 2020/1588) on so-called "conflict minerals" (to which a paragraph is dedicated below).

With regard to the **contractual stage**, for the past decade the Sustainability and Business Ethics Clauses (including anti-corruption) have been included systematically in contracts and orders for the purchase of goods and/or services and/or works, both with private suppliers and with the Public Administration (or institutes/enterprises under public control) or NGOs, worldwide.

In particular, the clauses;

- require suppliers to be aware of the principles, commitments and values contained in Pirelli's sustainability documents, namely "The Values and Code of Ethics", the "Code of Conduct", the "Global Human Rights Policy", the "Health, Safety and Environment Policy", the "Anti-Corruption Programme" and the "Product Stewardship Policy", published and accessible on the web, which set out Pirelli's principles for managing its activities and its relations with third parties, contractual and otherwise;
- require that Suppliers confirm their commitment to:
  - not using or supporting the use of child labour and forced labour or any other form of exploitation;
  - ensuring equal opportunity, freedom of association and promotion of the development of each individual;
  - opposing the use of corporal punishment, mental or physical coercion, or verbal abuse;
  - complying with the laws and industry standards concerning working hours and ensuring that wages are sufficient to cover the basic needs of personnel;
  - not tolerating any type of bribery in any form or manner and in any legal jurisdiction, even where such practices are effectively permitted, tolerated, or not subject to prosecution;
  - assess and reduce the environmental impact of its own products and services throughout their entire life cycle;
  - using resources responsibly with the aim of achieving sustainable development in compliance with the principles of respect for the environment and the rights of future generations;
  - establishing and maintaining the necessary procedures to evaluate and select suppliers and sub-suppliers on the basis of their commitments to social and environmental responsibility, regular overseeing compliance with this obligation on the part of the same;
- specifying that Pirelli reserves the right to verify at any time through activities of audit, either directly or through third parties, that fulfilment of the duties taken on by a supplier has been achieved (see further details in the next paragraph).

For some categories of suppliers, the clauses are also supplemented by additional requirements aimed at regulating specific areas such as the existence of an adequate management model for

conflict minerals and cobalt, and compliance with Pirelli's Policy on the sustainable management of natural rubber.

The Sustainability Clauses have been translated into 21 languages so as to ensure maximum clarity and transparency vis-à-vis a supplier in the matter of the contract duties that they assume, not only in respect of the Firm itself, but also at their own site in relations with their own suppliers.

In terms of maximum guarantee, the Group suppliers have access to the **Whistleblowing** Reporting Procedure (ethics@pirelli.com), expressly indicated in the clauses, with which to report in full confidentiality any violation or suspected violation they perceive in relations with Pirelli and with reference to the contents concerning: "Values and Code of Ethics ", "Code of Conduct ", Group policies on " Global Human Rights ", "Health, Safety and Environment ", " Anti-Corruption Programme" and "Product Stewardship".

In 2020, among the signed reports, three were sent by Suppliers. It remains objectively impossible to confirm that the total number of reports from suppliers corresponds only to three because some complaints were anonymous, as specified in the paragraph "Focus: Group Reporting Procedure - Whistleblowing", to which reference should be made for further information.

### **Focus: ESG on-site audit**

Pirelli management model has been characterised by third-party on-site audits since 2009. The on-site audit is already carried out in the pre-qualification phase for all potential new suppliers and/or plants of raw materials and high value-added goods that, by their nature, can become development partners/long-term partners for the Company, to which a large part of the purchase spending is allocated.

In addition, every year Pirelli conducts an on-site third-party ESG audit campaign at active suppliers' sites to cover all product and geographic areas of purchase.

The results of the on-site ESG Audit, together with further assessments made during the supplier's on-boarding phase, are integrated into the annual Vendor Rating process, according to which the supplier is given a rating that sums up their ESG performance, the quality of the supplies, the quality of the business relationship and the technical-scientific collaboration.

The annual Audit Campaign determines the list of suppliers to be audited based on an approach that integrates materiality and risk. The Group's Purchasing and Sustainability Departments define the Guidelines for Risk Assessment which, carried out by Pirelli subsidiaries' Purchasing Managers and Sustainability Managers, will lead to the selection of suppliers to be audited on site. The following basic parameters are considered in the assessment:

- the supplier is bound to Pirelli by multi-year contracts;
- the replacement of the supplier and/or related product may be complex;

- the economic burden of the purchase is significant and for this reason it is considered necessary to verify in loco, via third party audit commissioned by Pirelli, the compliance of the supplier with Pirelli ESG expectations, signed by the supplier in the contract stage;
- the supplier operates in a Country at ESG risk;
- the supplier has not yet undergone an ESG audit by Pirelli or special criticalities have been detected in previous audits;
- there is information, a perception or doubt concerning possible violations by the supplier in the matter of social, environmental and/or business ethics responsibilities.

Each audit has an average duration of two days in the field and includes a factory visit, interviews with workers, management and trade union representatives. The external auditors carry out verification on the basis of a checklist of parameters of sustainability deriving from Pirelli Ethical Code, the SA8000® standard (a benchmark tool officially adopted by the Group for managing social responsibility since 2004) and the “Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment” of the Pirelli Group (in its turn consistently with the areas of social, environmental and governance sustainability dictated by Global Compact of the United Nations), the “Social Responsibility for Health, Safety and Rights at Work, Environment” Policy, the Global Health, Safety and Environment Policy and the Global Human Rights Policy to which KPIs relating to loss prevention have been added since 2019. For natural rubber suppliers, the checklist of verified parameters is derived from Pirelli’s Policy for the sustainable management of natural rubber, on which a paragraph is dedicated below.

In 2020, following the evolution of the Covid-19 scenario, the third-party auditors used by Pirelli developed and introduced a new methodology, in accordance with ISO/IEC 17021-1: 2015 (and related guidance), IAF MD4: 2018, IAF MD 5: 2019 and IAF ID 12: 2015 standards, which made it possible to guarantee the continuity of auditing activities through a remote and, where possible, hybrid approach (combination of remote and on-site audits).

Here below, the number of ESG third-party audits performed in the last three years:

Year	Audit Number
2018	85 <sup>14</sup>
2019	90 <sup>15</sup>
2020	71 <sup>16</sup>

<sup>14</sup> of which 16 on potential new suppliers of raw materials.

<sup>15</sup> of which 26 on potential new suppliers of raw materials.

<sup>16</sup> of which 6 on potential new suppliers of raw materials.

In most cases the 2020 audits involved suppliers of Pirelli operating in Countries where the company is present at an industrial level, i.e. Argentina, Brazil, China, France, Germany, Indonesia, Italy, Mexico, United Kingdom, Romania, Russia, United States, Turkey and Taiwan. Or suppliers in Countries from which Pirelli buys raw materials, such as China, South Korea, Mexico, Netherlands, Malaysia, Indonesia, Russia, Thailand and Brazil.

The results of the audits carried out during the 2020 annual campaign show:

- 46% of suppliers without non-compliance;
- a total number of non-conformities found decreased by 41% compared to 2019.

The non-conformities registered in 2020 are substantially linked to the processes of health and safety management, the use of overtime and the correct implementation of environmental management systems.

On the basis of audit findings, and where non-conformities are found, the supplier signs off a corrective action plan suggested by the independent auditor, to be implemented within specific deadlines. The implementation of the recovery plan is verified by a follow-up activity directly followed by the Auditor, who report to Pirelli.

The Group Internal Audit Department verifies the adequacy of the management and oversight of the ESG Audit on suppliers by the local responsible Functions (Sustainability and Purchasing).

### **Materiality of ESG impacts on the supply chain**

Social impact (human and labour rights in particular) is evidenced in all categories of purchases, in respect of suppliers operating in Countries considered to be more greatly at risk as compared to others from the standpoint of compliance with domestic and international labour legislation.

Considering the life cycle of Pirelli Product (which is specified in the “Environmental Dimension” chapter of this report), the environmental impacts of the supply chain are found prevalently in the category of raw materials, in terms of direct emissions and impact on Pirelli’s indirect emissions, as well as on the capacity of the material to affect the emission impact of the production process and on the energy efficiency of Pirelli product. With reference to the water footprint along the life cycle of Pirelli products, impacts are prevalent in the processing of natural rubber, a material on which particular attention is also paid in terms of preventing the risk of deforestation and protecting biodiversity.

Pirelli mitigates the risks mentioned through the Management Model adopted above described, which is completed with the engagement activities of the suppliers referred to below.

### **Sustainability of the natural rubber supply chain**

With global demand for natural rubber expected to increase, sustainable management of the related supply chain is essential to preserve forests, biodiversity and to enable sustainable development for local communities and economies. The economic, social and environmental sustainability of the natural rubber supply chain is among the priorities of Pirelli, with the full awareness that the origins of its rubber supply chain impact in forestry terms.

The natural rubber supply chain - from upstream to downstream - includes producers/farmers, traders, processors, distribution companies and manufacturing facilities. Pirelli is at the end of the chain, as a tyre manufacturer that does not own its own plantations or natural rubber processing plants. Pirelli intends to play an active role in the aforementioned context, contributing to the efforts that are globally dedicated to the sustainable management of natural rubber.

In October 2017, Pirelli issued its “Sustainable Natural Rubber Policy”, after a long process based on consultation with key Stakeholders and companies that have longstanding experience in terms of sustainable procurement of materials. The draft of the Policy was presented and discussed with key Stakeholders in a consultation session held in September 2017, attended by international NGOs, Pirelli’s main natural rubber suppliers, traders and farmers from the supply chain, automotive customers and multilateral international organisations

As stated in the Policy, Pirelli undertakes to promote, develop and implement the sustainable and responsible procurement and use of natural rubber throughout its entire value chain. In particular, the Policy breaks down the positioning of the Company in terms of:

- defence of Human Rights and promotion of decent working conditions;
- promotion of the development of local communities and prevention of conflicts related to land ownership;
- protection of ecosystems, flora and fauna;
- no to deforestation, no to the exploitation of the peat land, no to the use of the fire, and adoption of the “High Conservation Value (HCV)” and “High Carbon Stock (HCS)” methodologies;
- efficient use of resources;
- ethics and anti-corruption;
- traceability and mapping of socio-environmental risks along the supply chain (so-called *risk-based* approach);
- clear indication of the governance model envisaged by the policy, and consideration of the risks identified in the definition of the purchasing strategies;



- encouragement of its suppliers and sub-suppliers to the adoption of solid certification systems, internationally recognised and verified by third parties, at all levels of the supply chain;
- promotion, support for the Company's active participation in cooperation initiatives at sector level and among Stakeholders that play a significant role in the value chain, in the belief that, in addition to the individual commitment of companies, a shared effort can accelerate and strengthen the path towards a sustainable development of the global natural rubber supply chain;
- activities aimed at the implementation of the policy;
- commitment to reporting on the results achieved;
- making available the Reporting Procedure for any violations of the Policy.

In December 2018 the Company released the *Implementation Manual* for Pirelli Policy on Sustainable Natural Rubber. The aim of the manual is to facilitate the understanding of the principles, commitments and values expressed in the Policy, as well as provide guidance for its implementation to the supply chain. As already happened for the preparation of the Policy in 2017, also the process of preparation of the Manual has foreseen the involvement and the consultation of the main Stakeholders concerned, both locally, with the main actors of the supply chain (processors, retailers, small plantation owners), and globally through a global Stakeholder dialogue event held at the Group Headquarters and attended by international NGOs, the main suppliers of natural rubber of Pirelli, traders and farmers from the supply chain, automotive customers and international multilateral organisations.

At the same time, Pirelli defined its Action Plan for the three-year period 2019-2021.

The Policy, the Implementation Manual and the 2019-2021 Action Plan and are published on the Group website, in the Policy area within the Sustainability section.

During the course of 2019, Pirelli implemented the activities planned for the Action Plan 2019, with the support of central and local specialists from Earthworm Foundation; in particular, the activities covered the following: the organisation of meetings with the management of supplier companies, including some in-factory dialogue sessions; the identification of the geographical areas from which rubber is purchased, a fundamental activity for mapping potential risks within the supply chain; an analysis of potential socio-environmental risks for the mapped geographical areas, which was shared with suppliers; training of suppliers on the contents of the Policy and related Implementation Manual through six seminars organised in the five countries from which Pirelli obtains its supplies; definition of a roadmap by suppliers detailing the activities to be implemented to fill the gaps identified.

In 2020 the international health emergency situation led to the suspension of those activities planned for the period that, in order to achieve the expected level of effectiveness, would have had to be held on site with the actors in the supply chain (processors, traders, farmers). The resources allocated

for these activities were then redirected and used to purchase almost 3,000 food packages donated to farmers affected by the pandemic.

Although the health situation significantly affected the activities in which an on-site presence was planned, through remote activities Pirelli was able to continue with the engagement of the supply chain aimed at improving traceability and risk mapping. Cooperation also continued with the aim of perfecting the plan of activities defined with them between 2019 and 2020; in fact, it should be noted that, at the beginning of 2020, 100% of natural rubber suppliers shared with Pirelli the activities aimed at implementing Pirelli Policy. The roadmap was defined after training sessions in which all suppliers participated in 3 days of training organised in local languages in 5 different areas of the globe. The suppliers' implementation plans were drawn up on the basis of the mapping of Pirelli supply chain risks, an analysis completed by specialised consultants during 2019.

In early 2020, Pirelli also published a study<sup>17</sup> on natural rubber tree diseases, diseases that have begun to have a major impact on the livelihoods of farmers (an estimated loss of productivity of around 15% in Indonesia<sup>18</sup>). The study, the result of an in-depth dialogue between farmers and specialists in the sector sponsored by Pirelli and held in late 2019, identifies the causes of the phenomenon and gathers possible solutions, with the intention of putting this wealth of information on the table.

Although it was not possible to organise the historic “tapping competition” in 2020, a major training event that the Group has been organising in Indonesia since 2014, the Group and its supplier Kirana Megatara confirmed the awarding of scholarships to the children of local producers, in the belief that the future sustainability of the natural rubber business absolutely cannot ignore the adequate training and development of the new generations, and their right to study. A total of 65 scholarships were awarded.

In 2021 Pirelli will continue on the path of engagement and partnership activities with its suppliers, focusing training on specific topics that meet the needs of the supply chain and dedicating it to players increasingly close to the origin of the chain. Pirelli will also continue to support suppliers in the implementation of their roadmap of activities and will continue to map the socio-environmental risks of the entire chain, strengthened by increasingly precise traceability and an increasingly close relationship with the various players involved.

### ***Together for the Sustainability of Natural Rubber - the GPSNR platform***

Pirelli Policy on the sustainable management of natural rubber, in point VIII, states: *“Pirelli believes that the global challenge of natural rubber sustainability requires engagement, cooperation, dialogue and partnership among all involved actors. In addition to engaging with its suppliers, Pirelli fosters*

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<sup>17</sup> [https://psi-dotcom-prd.s3-eu-west-1.amazonaws.com/corporate/Drill\\_Down\\_Study\\_Report\\_08.04.2020\\_final.pdf](https://psi-dotcom-prd.s3-eu-west-1.amazonaws.com/corporate/Drill_Down_Study_Report_08.04.2020_final.pdf)

<sup>18</sup> Jakarta Post, « Plant disease threatens thousands of hectares of rubber plantations », July 2019, <https://www.thejakartapost.com/news/2019/07/25/plant-disease-threatens-thousands-of-hectares-of-rubber-plantations.html>.

*and supports active cooperation at industry level and among stakeholders playing a material role in the natural rubber value chain, with the conviction that in addition to corporations' individual engagement, a shared effort can result in stronger and faster progress towards sustainable development of the global natural rubber supply chain. Pirelli cooperates with national and international governmental, non-governmental, industry-wide and academic initiatives to develop global sustainable natural rubber policies and principles."*

In line with the stated approach, in 2017 Pirelli played a proactive role in the creation of the Global Platform for Sustainable Natural Rubber - GPSNR, together with tyre manufacturers which are also part of the Tyre Industry Project Group, within the World Business Council for Sustainable Development. The development of the Platform benefited from the contribution, ideas and suggestions of the main categories of Stakeholders involved in the value chain, such as rubber producers, processors, automobile manufacturers, and of the fundamental contribution deriving from the experience of important international NGOs.

The Platform, launched in Singapore in October 2018 with the participation of the first "founding members", including Pirelli, is independent, based on multi-stakeholder dialogue and aims to support the sustainable development of the natural rubber business globally, for the benefit of the entire value chain through shared tools and initiatives based on respect for human and labour rights, prevention of land grabbing, respect for biodiversity and increased plant productivity, especially those of small owners. The first General Assembly of GPSNR was held in March 2019.

During 2020 Pirelli actively participated in three working groups launched by the platform, specifically:

- The "Smallholder Representation Working Group", which Pirelli co-chairs, has identified a geographically diverse group of farmers capable of effectively representing the interests of smallholders within the platform and identified three representatives to sit on the Executive Committee. Work continues to support the smallholder community on the platform, with the aim of extending the geographical presence covered and achieving the new targets set;
- The "Capacity Building Working Group", which Pirelli co-chairs, in 2020 has continued its activities aimed at developing a capacity building strategy in favour of smallholders and industrial plantations, identifying potential sources of financing;
- Pirelli also participates in the "Traceability and Transparency Working Group" which aims to identify an appropriate tool to improve the large-scale traceability, and therefore transparency, of the complex natural rubber supply chain. During 2020, the group focused on mapping the traceability systems offered by the market, with a specific focus on those already used in the world of natural rubber. The work will continue in 2021, with the aim of defining the general characteristics that the traceability tool must have in order to meet the level of transparency required by the GPSNR platform.

## **The “Green Sourcing” Policy**

Since 2012 Pirelli has had a “Green Sourcing Policy”, with the aim of stimulating and encouraging environmental awareness throughout the supply chain, as well as encouraging choices that could reduce the impact on the environment of Pirelli’s procurement of goods and services. The system for implementing the Green Sourcing Policy, both within Pirelli and in relations with suppliers, is organised as follows:

- Pirelli Green Sourcing Manual, an internal document containing operating guidelines, intended to guide the activities of the Pirelli functions involved in the Green Sourcing process;
- Pirelli Green Purchasing Guidelines, a document intended for Pirelli suppliers as part of the Contract for supply and based on the Green Sourcing Manual containing the KPIs (Key Performance Indicators) for assessing the Green Performance of these suppliers.

Pirelli Green Sourcing Manual defines four areas of Green Sourcing: Materials, Capex, Opex and Logistics. Interdepartmental working groups, comprised of Purchasing, R&D, Quality, HSE and Sustainability analysed the Green Sourcing process associated with the purchasing categories falling within the four areas mentioned above. Green Engineering Guidelines were also defined for the Materials and Capex areas, where the design component (what is conceived in-house) is material to Pirelli core business.

For the Opex and Logistic areas characterised by goods categories in respect of which the design component is not equally significant, Green Operating Guidelines have in any event been defined by referring to internationally recognised best practices.

The Green Sourcing Manual is a unique document that contains:

- a general part on Green Sourcing topics;
- the Green Engineering Guidelines (Materials, Capex);
- the Green Operating Guidelines (Opex, Logistics).

The Green Sourcing Manual will also be adopted by Pirelli Training Academy for training purposes by the functions involved in the process of Green Sourcing.

On the basis of the Guidelines of the Green Sourcing Manual, Pirelli Green Purchasing Guidelines were published on the website [www.pirelli.com](http://www.pirelli.com), so making them available both to Pirelli suppliers and to other Stakeholders. In China, Mexico, the United States, Russia and Italy, by-invitation seminars have been held at Pirelli offices on the Green Sourcing Guidelines for local suppliers so as to inform and receive direct feedback on the way they work.

## Policy on Conflict Minerals

The concept of Conflict Minerals was introduced by Section 1502 of the Dodd-Frank Act, a United States federal law, in 2010. By “conflict minerals” is meant gold, columbite-tantalite (coltan) cassiterite, wolframite and their derivatives like tantalum, tin and tungsten that come from (or are extracted in) the Democratic Republic of Congo and/or bordering Countries.

The objective of the rules in respect of Conflict Minerals (Conflict Mineral Rules) is to discourage the use of minerals whose sale might finance violent conflicts in Central Africa where grave violations of human rights have been recorded for many years. Under Conflict Mineral Rules, listed companies in the United States are required to perform reasonable due diligence in tracing the provenance of these materials and reporting the findings to the SEC and publishing them on their website, with the first report to be published by 31 May 2014 (relating to 2013) and subsequently updated each year.

In turn, the European Institutions in May 2017 approved the 2017/821 Regulation (subsequently amended by Regulation (EU) 2020/1588) which “establishes duties in terms of due diligence in the supply chain for EU importers of tin, tantalum and tungsten, their minerals, and gold, originating in conflict zones or at high risk”. The new provisions will apply from January 2021.

Pirelli expresses its position on the management of the issue in a paragraph dedicated to it in its Global Human Rights Policy, where it is stated that the Company *“requires that its suppliers conduct proper due diligence within their supply chain in order to certify that the products and materials supplied to Pirelli are “conflict free” throughout the whole supply chain. Pirelli reserves the right to terminate relations with suppliers in cases where there is clear evidence of supplying conflict minerals and however in case of any violation of Human Rights.”*

The Policy is published in multiple foreign languages in the Sustainability section of [pirelli.com](http://pirelli.com) website.

In 2017 Pirelli also strengthened its management model, introducing the request for the following documentation among the qualification requirements of suppliers that can be associated with the possible use of conflict minerals:

- Conflict Minerals Reporting Template (CMRT);
- Conflict Minerals policy if present;
- description of the “Due Diligence” system to identify and trace the presence of 3TG minerals (Tantalum, Tungsten, Tin, Gold).

The management model then extends to the contractual phase, through the inclusion of a Conflict Minerals clause that recalls the supplier’s commitment to providing the Conflict Minerals Reporting Template on an annual basis and to maintain the results achieved in terms of chain transparency, in addition to reporting the further progress pursued and expected.

To give an idea of the scale of the phenomenon for Pirelli, it is worthwhile stating that the impact is very limited: the volume of minerals (3TG) used by Pirelli Tyre in one year in fact weighs less than a tonne, a quantity which is less than one millionth of the volume of raw materials used annually by the Company and which is equally distributed among most of the tyres produced. To give an example, a tyre weighing 10 kg contains about 10 mg (milligrams) equivalent of tin, in the extremely low concentration of 1ppm (one part per million).

With a view to procurement covering only minerals that are “conflict free”, Pirelli has conducted a comprehensive investigation on its supply chain, in order to have full visibility up to the mines or foundries in order to identify the existence of any “conflict minerals”. The company asked its suppliers to fill in the CMRT (Conflict Minerals Reporting Template) form developed by the Responsible Minerals Initiative (RMI) as developed in the past by the Electronic Industry Citizenship Coalition (EICC) and the GeSI (Global e-Sustainability Initiative).

The suppliers polled cover 100% of the “conflict minerals” risk tied to Group products. 100% of suppliers polled have already given precise indications concerning the source of the materials in question and listing foundries as required by the procedure and there was no evidence of the presence of conflict minerals.

### **Due diligence on new metals: Cobalt**

As is known, the Democratic Republic of the Congo (DRC) is the world’s largest producer of cobalt and holds more than 50% of the world’s reserves of this metal. Among the various uses of Cobalt is its use in Lithium batteries that are an integral part of electric vehicles, mobile phones and laptops. The demand for Cobalt is growing very rapidly and its extraction occurs both in a highly mechanised way and in a traditional way. Concerning this latter type of extraction, concerns have recently been raised about unsafe working conditions and child labour. In 2017, RMI (Responsible Minerals Initiative) launched a working group on the sustainable supply of cobalt, with particular regard to the risk of child labour in the DRC, with a supply chain monitoring approach similar to the one already in place for 3TG metals. The update of the Cobalt Reporting Template (CRT) was recently published (30 October 2019) by RMI. Pirelli uses some Cobalt salts, a type of raw material commonly used in the production of tyres. In 2019, Pirelli therefore decided to join the “Cobalt Initiative” launched by RMI and to ask its suppliers to fill in the CRT. The suppliers surveyed cover 100% of the “conflict minerals” risk associated with the use of raw materials using cobalt in tyres. 100% of suppliers surveyed responded: 80% of these suppliers excluded that foundries in their supply chain source their cobalt from conflict areas; the remaining 20% gave precise indications of the source of cobalt, listing foundries as required by the procedure defined in the “Cobalt Initiative”, and no evidence of conflict minerals emerged.

## Engagement of suppliers

Pirelli believes that activities involving suppliers are essential from the viewpoint of creating environmental and social value and that are inseparably tied to the creation of shared economic value. There are many activities operated by the Company to that effect.

### **R&D Partnerships**

Pirelli has established several partnerships with strategic suppliers and universities for the development of innovative materials with low environmental impact (materials described in the paragraphs dedicated to environmental management of products of this Report). As part of the development of new nanofillers, for example, pursued since the early 2000s through research contracts with universities and collaborations with suppliers, Pirelli has begun to industrially introduce materials of mineral origin in partial replacement of precipitated silica and carbon black. Compared to the production processes of the replaced raw materials, the innovations mentioned have guaranteed a water saving, as well as a reduction of CO<sub>2</sub> emissions by more than 75%, saving respectively about 23,000 m<sup>3</sup> of water and about 370 tonnes of CO<sub>2</sub>.

These innovations provide economic benefits related directly to the material for about €165,000 a year, although the real sustainable business driver is the performance that the product acquires, thus becoming more competitive.

### **CDP Supply Chain**

For years, Pirelli has participated in Climate Change and Water programmes promoted by CDP (ex Carbon Disclosure Project). Implementing its Green Sourcing Policy since 2014 Pirelli has in its turn decided to extend the request for CDP assessment to its own key suppliers at a Group level, identified in accordance with criteria of environmental and economic materiality. In 2020, the selection concerned the suppliers with the most impact on the Carbon Footprint of the Group in the Raw Materials, Logistics and Energy categories.

The CDP Supply Chain supports Pirelli in monitoring Scope 3 emissions from its supply chain and ensures adequate awareness of suppliers in matters relating to climate change so as to identify and activate all possible opportunities for reducing emissions of climate-altering gases. In 2020, the set of emission reduction actions implemented by Pirelli suppliers made it possible to avoid overall the emission of more than 58 million tonnes of CO<sub>2</sub> equivalent into the atmosphere, combined with estimated economic savings of US\$1.74 billion.

First company among tyre manufacturers to have globally introduced the CDP Supply Chain in its own supply chain, Pirelli aims to achieve a response rate for suppliers of Raw Materials of 90% in

2021. The response rate recorded in 2020 was 84%, an upward trend compared to previous years (81% in 2019, 74% in 2018).

### ***Training of suppliers on sustainability matters***

Since 2012, Pirelli has been providing training on environmental, social and business ethics issues to its suppliers, identifying each year the applicable pool of participants based on strategic issues, spending value and operations by suppliers in Countries considered at risk.

In 2020, given the evolution of the Covid-19 scenario, the Group had to put on standby the activities planned in the 2019-2021 Roadmap on the implementation of the Policy on Sustainable Natural Rubber Management; the resources that had been planned to support this activity were redirected to projects supporting vulnerable local communities affected by the crisis.

### ***Supplier Award***

Pirelli Supplier Award, which is assigned each year to suppliers of excellence, aims to constantly improve relations with parties from the standpoint of shared development.

A specific award is dedicated to sustainable performance, recognizing the importance of “responsibility” strategies that make a real difference by bringing benefits to the entire value chain.

Due to the evolution of the Covid-19 scenario, the Supplier Award 2020 has been put on hold and postponed to 2021.

### ***Trend of purchases***

The following tables show the value of purchases made by Pirelli Tyre and the percentage of the relative suppliers divided by geographical area. These figures show that the value of purchases, as well as the number of suppliers, is slightly higher in OECD area<sup>19</sup> with respect to non-OECD areas.

79% of suppliers (slightly up from 76% in 2019) operate locally with respect to the Pirelli Tyre subsidiaries supplied, according to a local for local supply logic and excluding raw material suppliers as they generally operate where Pirelli does not have its own facilities.

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<sup>19</sup> For the complete list of OECD Countries please refer to the official website <http://www.oecd.org/about/membersandpartners/>.



<b>VALUE OF PURCHASES BY GEOGRAPHIC AREA</b>				
		<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>OECD COUNTRIES</b>	<b>Europe</b>	49.1%	54.9%	49.9%
	<b>North America</b>	8.0%	6.7%	5.9%
	<b>Others</b>	4.6%	5.0%	4.1%
<b>NON-OECD COUNTRIES</b>	<b>Latin America</b>	12.1%	12.1%	14.8%
	<b>Asia</b>	17.3%	11.9%	14.9%
	<b>Africa</b>	0.5%	0.4%	0.4%
	<b>Others</b>	8.4%	9.0%	10.0%

<b>NUMBER OF SUPPLIERS BY GEOGRAPHIC AREA</b>				
		<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>OECD COUNTRIES</b>	<b>Europe</b>	55.2%	47.2%	54.2%
	<b>North America</b>	4.8%	5.5%	4.8%
	<b>Others</b>	4.5%	5.4%	5.2%
<b>NON-OECD COUNTRIES</b>	<b>Latin America</b>	19.7%	22.8%	21.7%
	<b>Asia</b>	6.9%	8.4%	6.3%
	<b>Africa</b>	0.2%	0.4%	0.2%
	<b>Others</b>	8.7%	10.3%	7.6%

The following table shows the breakdown in percentage of the value of Pirelli Tyre's purchases by type. With a weight equal to 49% of the total, the purchasing category which is decidedly more relevant and significant, as in previous years, is that of raw materials.

<b>VALUE OF PURCHASES BY CATEGORY</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Raw Materials</b>	49%	47%	46%
<b>Consumable Materials<sup>20</sup></b>	8%	7%	5%
<b>Services<sup>21</sup></b>	40%	37%	36%
<b>Capital goods<sup>22</sup></b>	3%	9%	13%

<sup>20</sup> Indirect materials, auxiliary materials.

<sup>21</sup> Energy, logistics services, shared services, ICT, R&D, marketing, trademarks and patents.

<sup>22</sup> Machinery, civil works, moulds.

With reference to the percentage of Pirelli Tyre’s suppliers by type presented in the table below, it is noted that suppliers of consumables and services weigh about 95% of total number of suppliers, despite the weight on the total value of purchases is lower compared, for example, to that of raw material purchases which, on the other hand, show a substantial concentration on a few operators.

<b>NUMBER OF SUPPLIERS BY CATEGORY</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Raw Materials</b>	2%	2%	2%
<b>Consumable Materials</b>	36%	35%	29%
<b>Services</b>	59%	58%	61%
<b>Capital goods</b>	3%	5%	8%

The following table represents the percentage composition in the value of the mix of raw materials purchased by Pirelli Tyre in the three-year period 2018-2020. The volume of raw materials utilised for the production of tyres in 2020 amounted to approximately 704,000 tonnes, of which approximately 4% derives from recycled materials (in line with the previous year) and 19% of renewable materials<sup>23</sup>.

<b>MIX OF RAW MATERIALS PURCHASED (VALUE)</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Natural Rubber</b>	13%	13%	13%
<b>Synthetic Rubber</b>	26%	26%	27%
<b>Carbon black</b>	10%	12%	10%
<b>Chemicals</b>	23%	22%	23%
<b>Textile</b>	18%	17%	17%
<b>Steel</b>	10%	10%	10%

## Targets

- CDP Supply Chain: increase in raw material suppliers’ response rate from 84% in 2020 to 90% in 2021;
- Natural Rubber supply chain sustainability: implementation of the 2019-2021 roadmap published in the Sustainability section of the website [www.pirelli.com](http://www.pirelli.com). In 2021, Pirelli will continue on the path of engagement and partnership with its suppliers, focusing training on specific issues that meet the needs of the supply chain and dedicating it to players

<sup>23</sup> Pirelli aligns itself with the OECD, which defines “Renewable Natural Resources” as natural resources, which, after their exploitation, can return to their original stock levels through natural growth or regeneration processes.

increasingly close to the origin of the chain. Pirelli will support suppliers in the implementation of their roadmap of activities to implement Pirelli Policy and will continue to map the socio-environmental risks of the supply chain, with increasingly precise traceability and an increasingly close relationship with the various players involved;

- Reduction of CO<sub>2</sub> emissions from raw material suppliers by 8.6% by 2025 compared to 2018 (Science Based Target approved by SBTi).

In March 2021, the Company will present the new Industrial Plan and related long-term strategic sustainability targets, including those impacting the supply chain. The Plan will be published at the same time on the institutional website [www.pirelli.com](http://www.pirelli.com), to which reference should be made for details of future targets.

## ENVIRONMENTAL DIMENSION

Pirelli Group considers environmental protection as a fundamental value in the exercise and development of its activities.

Pirelli approach to environmental management is set forth in accordance with the United Nations Global Compact, of which Pirelli has been an active member since 2004, and pursuant to the “Rio Declaration on Environment and Development”.

*Pirelli Values and Ethical Code states that “key consideration in investment and business decisions is environmental sustainability, with the Group supporting eco-compatible growth, not least through the adoption of special technologies and production methods (where this is operationally feasible and economically viable) that allow for the reduction of the environmental impact of Group operations, in some cases even below statutory limits”.*

The environmental management model adopted is detailed in the Group Policies “Health, Safety and Environment”, “Product Stewardship”, “Quality”, “Social Responsibility for Occupational Health, Safety and Rights, and Environment”, “Green Sourcing”, based on which Pirelli undertakes to:

- assess and reduce the environmental impact of its own products and services throughout their entire life cycle, as of products and services purchased;
- develop products and production processes that are safe and designed to minimize polluting emissions, waste generation, consumption of natural resources available and the causes of Climate Change, in order to preserve the environment, biodiversity and ecosystems;
- manage its environmental activities in full compliance with applicable laws and in compliance with the highest international standards;
- monitor and communicate to its Stakeholders the environmental performance associated with processes, products and services throughout the entire life cycle, promoting its culture of environmental protection;
- monitor the environmental impacts of its suppliers by requesting them to adopt the same business model along the supply chain;
- support customers and end consumers in understanding the environmental impacts of its products, informing them of the safest use and disposal methods, facilitating recycling or re-use where possible;
- empower and train its workers in order to extend adequate culture of environmental capital conservation.

All the documents mentioned above are communicated to the Group's employees in the local language and published in multiple languages in the Sustainability section of [pirelli.com](http://pirelli.com) website, available to the external community.

### Joining the Taskforce on Climate-Related Financial Disclosure (TCFD)

In September 2018, Pirelli formally joined the Task Force on Climate-Related Financial Disclosures (TCFD) set up by the Financial Stability Board<sup>24</sup>.

In supporting the initiative, Pirelli is committed to the voluntary disclosure of transparent reporting on risks and opportunities related to Climate Change as indicated in the TCFD recommendations. To this end, Pirelli publishes this information publicly both in this report and through the CDP Climate Change programme, where, once again in 2020, it has been confirmed as one of the leaders included in the A-List.

Since Pirelli publishes an integrated annual report, the four topics and the eleven recommendations identified by the TCFD are reported as follows.

**GOVERNANCE:** (concerning climate-related risks and opportunities).

The matters relating to Climate Change fall within the activities whose Governance is described in the paragraph "Management Model" of this report, and in the paragraph "Director responsible for sustainability matters" and "Audit, Risks, Sustainability and Corporate Governance Committee" of the "Report on the Corporate Governance and Share Ownership of Pirelli & C. S.p.A.", included in this report and to which reference should be made for further information.

#### a) Board of Directors' oversight

Pirelli Board of Directors, supported in its activities by the Control, Risk, Sustainability and Corporate Governance Committee, approves both the sustainable management objectives and targets integrated into the Industrial Plan and Pirelli Annual Report, including the Consolidated Non-Financial Statement. A Director in charge of Sustainability is also appointed with the task of overseeing sustainability topics related to the Company's operations and its interaction with all Stakeholders, and implementing the guidelines defined by the Board of Directors.

#### b) Management's role

The strategic development of Group Sustainability is entrusted to the Sustainability Steering Committee, a body chaired by the CEO and composed of the Company's Top Management

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<sup>24</sup> The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB) - a body that monitors the global financial system - with the goal of developing a set of recommendations on the reporting of Climate Change risks. The aim is to guide and encourage companies to align the information disclosed with investors' expectations and needs. In June 2017, the Task Force published 11 recommendations in the areas of governance, strategy, risk management, metrics and targets.

representing all organisational and functional responsibilities, which meets on an ordinary basis at least once a year. The organisational structure thus consists of a Sustainability Department, reporting directly to the CEO, which oversees management at Group level and proposes sustainable development plans to the Sustainability Steering Committee. The Sustainability Department is supported by Country Sustainability Managers (a role covered by the Country CEOs) to oversee activities covering all Group affiliates.

**STRATEGY** (actual and potential impacts of climate-related risks and opportunities on business, strategy and financial planning).

With a view towards long-term management, Pirelli monitors the Carbon Footprint and Water Footprint of its entire organisation and is committed to the progressive reduction of the related impacts on resources, climate and ecosystems. As described in the paragraph “Pirelli Group Environmental Strategy and Footprint” of this report, the Group has adopted a control and monitoring system that allows the identification of the materiality of environmental impacts along the life cycle of the product on the basis of which the company defines the response strategy.

In addition, Pirelli periodically performs sensitivity analyses and risk assessments with respect to transition scenarios towards a low-carbon economy and climate scenarios<sup>25</sup>, in order to have a constantly updated picture of potential risks and opportunities linked to Climate Change which are of interest to the business and the related quantification of any potential financial impacts. For further details, see the section “Risks related to Climate Change” in the “Directors’ Report on Operations” of this report, and Pirelli’s public responses to the CDP Climate Change questionnaire<sup>26</sup>.

a) Climate-related risks and opportunities (over the short, medium and long term)

In line with the results of the last Group Climate Change Risk Assessment, in the short-medium term (up to 5 years) there are no significant risks relating to production processes or to the markets in which Pirelli operates. On the other hand, regarding a medium-long term scenario (up to 30 years), the tyre sector could be subject to a series of risks, both physical (extreme weather events with potential impacts on plant production continuity) and regulatory (possible effects on operational costs). On the other hand, there are opportunities for growth in sales of Pirelli Eco & Safety Performance products, which identify tyres characterised by a lower environmental impact throughout their life cycle.

b) Impacts of climate-related risks and opportunities

As discussed in the section “Risks related to Climate Change” in the “Directors’ Report on Operations” of this report, to which reference should be made, in relation to internal metrics of potential financial impact, no risks with a significant impact in the short to medium term were identified in relation to production processes or the markets in which Pirelli operates.

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<sup>25</sup> The latest Group Climate Change Risk Assessment considered the analysis of IPCC climate scenarios (RCP 4.5 and RCP 8.5) and IEA energy transition scenario (IEA 450).

<sup>26</sup> <https://www.cdp.net/en/responses>

### c) Resilience of the strategy

The results of the scenario analyses carried out as part of the Climate Change Risk Assessment, described above, were assessed for the definition of ambitious climate-related targets within the High Value sustainable development strategy to 2022, 2025 and 2030, published in the current Industrial Plan. At process level, the targets for reducing energy consumption and absolute CO<sub>2</sub> emissions, the use of 100% electricity from renewable sources by 2025 and Group carbon neutrality by 2030 are highlighted. In particular, the targets for reducing absolute CO<sub>2</sub> emissions were developed in accordance with the guidelines of the Science Based Targets initiative (SBTi), which validated them in June 2020, judging them to be consistent with the actions needed to keep global warming “well below 2°C”, as recommended by the Paris Agreement. At product level, among the several Eco & Safety performance targets, in terms of impact on the climate, it has to be mentioned the 2025 objective of reducing the average rolling resistance of car products by 14% compared to the 2015 value. The business strategy based on development of the Eco & Safety Performance product line<sup>27</sup> is designed to give Pirelli a competitive advantage over its competitors in the face of growing market demand for low-emission goods and services. Following the positive trend that has seen revenues from Eco & Safety Performance tyres grow from 5% in 2009 to 58% in 2020, Pirelli has set the goal of achieving a 71% share by 2022.

**RISK MANAGEMENT:** (identification, assessment and management of the climate-related risks).

#### a) Identification and assessment processes

The process adopted by Pirelli to identify and assess the possible financial impacts, in terms of risks and opportunities, related to Climate Change is based on the Group Climate Change Risk Assessment, which is periodically updated by the Sustainability Department in collaboration with Enterprise Risk Management and other corporate functions. The analysis assesses the evolution of any physical, regulatory, technological, reputational and market risks that may affect the company, with respect to transition scenarios towards a low-carbon economy and climate scenarios with short, medium and long-term time horizons. For the conclusions of the analysis, see the section “Risks related to Climate Change” in the “Directors’ Report on Operations” of this report, and Pirelli’s public responses to the CDP Climate Change 2020 questionnaire<sup>28</sup>.

#### b) Management processes

The most relevant risks identified through the Climate Change Risk Assessment are assessed and classified against internal metrics of potential financial impact: for each risk or opportunity that has been recognised as material, a risk mitigation plan is prepared or an internal discussion is opened to capture the maximum benefit from the opportunity.

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<sup>27</sup> Eco & Safety Performance products identify the car tyres that Pirelli produces throughout the world that fall exclusively into classes A, B, C of rolling resistance and wet grip according to the labelling parameters set by European regulations.

<sup>28</sup> <https://www.cdp.net/en/responses>.

### c) Integration into overall risk management

The process for identifying, assessing and managing risks related to Climate Change is fully integrated into Pirelli's risk management model, as described in detail in the "Risk Factors and Uncertainty" section included in the "Directors' Report on Operations" of this report.

**METRICS AND TARGETS:** (metrics and targets used to assess and manage risks and opportunities related to Climate Change, where the information is material).

#### a) Metrics

Pirelli reports the impacts and performance linked to Climate Change according to the metrics defined by the GRI Sustainability Reporting Standards (in particular, see the "GRI Content Index" table at the end of this Annual Report for the requests of the GRI Standard 305 Disclosures: Emissions).

#### b) GHG emissions

Pirelli monitors and reports its direct (Scope 1) and indirect (Scope 2 and Scope 3) greenhouse gas emissions as described in the paragraph "Management of Greenhouse Gas emissions and carbon action plan" in this report.

#### c) Targets

Pirelli reports its environmental and product targets that are most closely linked to Climate Change, in the present chapter "Environmental Dimension" and in the "Sustainability Planning and the United Nations Sustainable Development Goals (SDGs)" and "Our Suppliers" ("Target" section) paragraphs of this report.

## **Pirelli Group Environmental strategy and footprint**

Monitoring and management of environmental issues have always played a key role in the business strategy at Pirelli. With a view to long-term management, Pirelli monitors the Carbon Footprint and Water Footprint of its entire organisation and is committed to the progressive reduction of the related impacts on resources, climate and ecosystems.

The Group has adopted a control and monitoring system that allows the identification of the materiality of environmental impacts throughout the product life cycle. The infographic on the following pages shows Pirelli approach to environmental management and the specific long-term targets defined by the Sustainability Plan, whose performance is reported in the present report. Pirelli Group's Carbon and Water Footprint are updated to 2020 and for both there is a decrease in absolute terms of about 19% compared to the previous year.

As is readily apparent, the materiality of environmental impacts is concentrated in the use phase of the tyre. In terms of the Carbon Footprint, the use phase has a weight of about 91.3% of total impacts



throughout the entire life cycle of the product, compared to a production phase that has a weight of only 2.6% of total impacts. As regards the impact of the Water Footprint, the use phase of the product is the most significant (51% of the total impacts), followed by the production phase of raw materials (35.7% of impacts).

The graph can be read either horizontally, following the stages of life of a tyre one by one, or vertically, thus being able to appreciate the targets of reducing the impacts that the Company has defined for each of the different stages of life, which will be explored later in this chapter.

At the methodological level, the phases of the life cycle have been analysed following the Life Cycle Assessment methodology as defined by the ISO 14040 family of standards. This approach is capable of validating the results and the strategic decisions related to it, as objectively as possible, integrated with the indications of the “Product Category Rule<sup>29</sup>” for tyres developed by the Tyre Industry Project Group of the World Business Council for Sustainable Development. The reporting of the emission impacts also complies with the provisions of the GHG Protocol (Corporate Accounting and Reporting Standard) and the GRI Sustainability Reporting Standards. To determine the Carbon Footprint and the Water Footprint, Pirelli’s calculation model is respectively inspired by the ISO 14067 and ISO 14046 standards. The values are shown as a percentage, as the objective of this infographic is to show the difference in materiality between the various life stages.

The main environmental impacts are generated by various activities related to the different stages of the Life Cycle. In the case of raw materials procurement, the main impact derives from the related production and distribution. In the case of tyre production, the main impact is related to the consumption of electricity and natural gas: in particular, the main pressure in terms of emissions into the atmosphere and water consumption is attributed to the production of the latter. In the case of the distribution of new tyres and their use by customers, the impact derives from the fuel consumption of vehicles (only the fuel consumption related to the power absorbed by the rolling resistance of the tyres is allocated to the customers). Finally, in the last phase of life considered, the impact derives from the processing of end-of-life products for recovery thereof as energy or recycled raw material. With reference to the Carbon Footprint, the infographic (see the “Driver” part) also includes a breakdown of emissions in the three Scope categories provided by the GHG Protocol.

The central part of the infographic shows the actual quantification, in percentage terms, of the Carbon Footprint and Water Footprint. These two aspects are summarised by four principal indicators: Primary Energy Demand (PED), Global Warming Potential (GWP), Water Depletion (WD) and Eutrophication Potential (EP). The values are calculated in GJ of energy, tonnes of CO<sub>2</sub> equivalent, cubic metres of water and kilograms of phosphate equivalents.

Primary Energy Demand refers to the quantity of renewable or non-renewable energy that is taken directly from the hydrosphere, the atmosphere or the geosphere.

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<sup>29</sup> Product Category Rule: Set of rules, requirements and specific guidelines for the development of environmental declarations, for one or more product categories, defined according to ISO 14025.

The Global Warming Potential concerns the effect on the climate of anthropic activities and is calculated, as mentioned, in tons of CO<sub>2</sub> equivalent (the greenhouse effect potential of the gas considered is assessed in relation to CO<sub>2</sub>, considering a residence time in the atmosphere of 100 years).

The Water Depletion, based on the Swiss model for ecological scarcity, represents the volume of water used, compared to the availability of water resources locally, with the aim of giving greater weight to the volumes of water taken from areas characterised by a greater scarcity of this resource.

Eutrophication Potential is the enrichment of nutrients in a given ecosystem, whether aquatic or terrestrial: air pollution, emissions into water and agricultural fertilisers all contribute to eutrophication. The result in aquatic systems is accelerated growth of algae, which does not allow sunlight to penetrate the surface of the water basins. This reduces photosynthesis and thus reduces the production of oxygen. Low concentrations of oxygen may cause the alteration of the aquatic ecosystem with potential effects in terms of biodiversity.

In terms of environmental materiality, the use phase of the tyre is overall the most prevalent. In terms of economic materiality, instead, the amount of company spending in the process phase is the most relevant, which results in the opportunity to reduce impacts through investments in energy efficiency.

In the lower part of the infographic, the actions and targets adopted by Pirelli are indicated in order to reduce the environmental impacts in the various phases of the life cycle according to the current Industrial Plan. In this regard, it should be noted that in March 2021 the Company will present the new Industrial Plan and the related strategic long-term sustainability targets that will be published at the same time on the institutional website [www.pirelli.com](http://www.pirelli.com).

STAGES  
OF LIFE  
CYCLE



DRIVERS

Suppliers

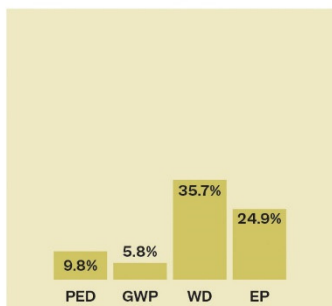
Raw materials production and transport: the impact is due to resources use by suppliers' plants

Pirelli

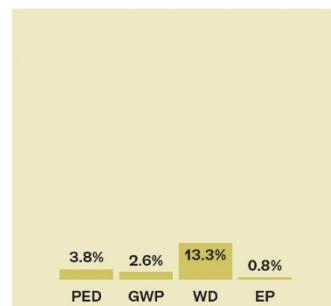
Tyre manufacturing: at Pirelli factories the impact mainly derives from the consumption of electricity and natural gas

IMPACT:  
CARBON & WATER  
FOOTPRINTa\*

Scope 3



Scope 1+2+3



MATERIALITY



RESPONSE  
STRATEGY

IT SHOULD BE NOTED THAT IN MARCH 2021 THE COMPANY WILL PRESENT THE NEW INDUSTRIAL PLAN AND RELATED LONG-TERM STRATEGIC SUSTAINABILITY TARGETS, WHICH WILL BE PUBLISHED AT THE SAME TIME ON THE CORPORATE WEBSITE WWW.PIRELLI.COM.

RAW MATERIAL INNOVATION

- Research and development of raw materials with low environmental impact
- Gradual introduction of new materials from renewable sources
- Biomaterials such as high-performance silica from renewable sources, biofillers such as lignin and plant-based plasticisers/resins
- Natural rubber: search for sustainable alternative sources
- Functionalised polymers: research into innovative polymers that guarantee reduced environmental impact, better driving safety and improved production efficiency

Targets for new product lines:

- by 2025: > 40% renewable materials, > 3% recycled materials and < 40% fossil-derived materials
- by 2030: > 60% renewable materials, > 7% recycled materials and < 30% fossil-derived materials
- Reduction of CO<sub>2</sub> emissions from raw material suppliers by 8.6% by 2025 compared to 2018 (target validated by SBT<sup>®</sup>)

GREEN PURCHASING GUIDELINES/GREEN SOURCING POLICY

CDP SUPPLY CHAIN

THIRD PARTY AUDITS ON CRITICAL SUPPLIERS

PROCESS EFFICIENCY

Targets 2025

- 100% Renewable electricity
- 25% Absolute CO<sub>2</sub> emissions vs 2015 (target validated by SBT<sup>®</sup>)
- 43% Specific water withdrawal vs 2015
- 10% Specific energy consumption vs 2019
- 98% Waste sent for recovery

Targets 2030

Group Carbon Neutrality (emissions from electric and thermal energy)

ISO 14001 AT ALL PRODUCTION PLANTS

SCRAP REDUCTION PROGRAMME

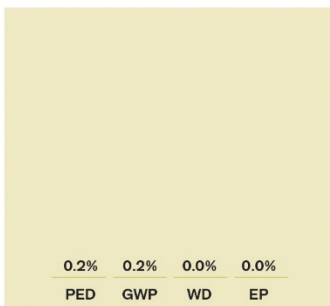


**DISTRIBUTION**

**Suppliers**

Consumption and related production of fuel used by trucks and ships of logistics providers, which deliver Pirelli tyres worldwide

Scope 3

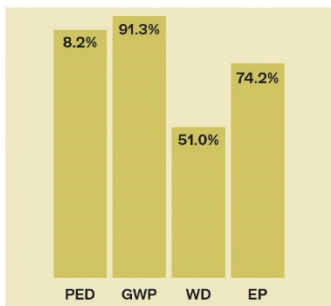


**USE**

**Customers**

Production and consumption of the fuel of customers' vehicles due to rolling resistance

Scope 3

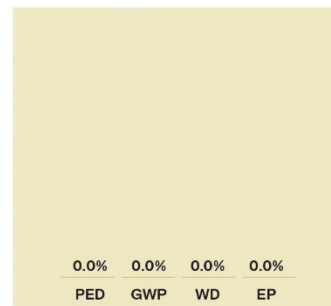


**END-OF-LIFE**

**Waste Recovery Players**

End of Life tyre management: old tyres are prepared by specialized companies to be reused as energy or as regenerated raw material

Scope 3



**GREEN SOURCING POLICY**

- Green Logistic Procedure
- Engagement to reduce Supply chain Carbon & Water Footprint

**PRODUCT INNOVATION**

Target	2022	2025
CAR		
- Rolling resistance	-10%	-14%
- Wet performance	+7%	+9%
- Wear rate	-12%	-18%
- Noise	-4%	-4%
MOTO		
- Rolling resistance	-15%	-20%
- Wet performance	+21%	+25%
- Mileage	+4%	+13%
VELO		
- Rolling resistance	-25%	-25%
- Wet performance	+10%	+15%
- Braking	+5%	+10%

**ECO & SAFETY PERFORMANCE REVENUES**

Target 2022: > 71% of total car sales and > 78% of High Value products\*\*\*

**CYBER™ TECHNOLOGIES DEVELOPMENT**

**PRESENCE ON THE MAIN INTERNATIONAL WORKING TABLES**

(WBCSD, ETRMA) to spread the culture of recovery

**REGENERATED RAW MATERIALS**

Research projects in order to improve the quality of regenerated materials, with the aim of increasing their percentage portion of the new compounds

**PED:** Primary Energy Demand  
**GWP:** Global Warming Potential  
**WD:** Water Depletion  
**EP:** Eutrophication Potential (Freshwater - Peq)

\* Value expressed as % of the impacts in the stages of the life cycle

\*\* Science Based Targets initiative

\*\*\* High Value products are determined by rims equal to or greater than 18 inches and, in addition, include all "Specialties" products (RUN FLAT™, SEAL INSIDE™, PNCS™).

## Research and development of raw materials

The Research and development of innovative materials is essential in order to design and manufacture “Eco & Safety” tyres which are increasingly sustainable and which guarantee lower environmental impacts throughout their life cycle while ensuring greater driving safety.

In terms of raw materials, for the new product lines, the current Sustainability Plan envisages an increasing use of materials from renewable and recycled sources, with the aim of using more than 40% renewable materials by 2025 (more than 60% by 2030), more than 3% recycled materials (more than 7% by 2030) and reducing the use of fossil-derived raw materials to less than 40% (less than 30% by 2030).

It should be noted that in March 2021 the Company will present the new Industrial Plan and the related long-term strategic sustainability targets, which will be published at the same time on the institutional website [www.pirelli.com](http://www.pirelli.com) for the benefit of all Stakeholders.

In this context, Pirelli's Research & Development focuses, for example, on:

- high-dispersion silica for wet grip, rolling resistance and mileage;
- new technologies applied to the development of polymers, fillers and plasticisers to improve the wear rate of tyres;
- biomaterials, such as silica from renewable sources, biofillers such as lignin and sepiolite, and plasticisers/resins of plant origin;
- textile reinforcements with fibres from renewable sources;
- nanofillers for more stable compounds, lighter structures and highly impermeable liners;
- new silica surfactants to guarantee performance stability and processability.

Pirelli has activated several Joint Development Agreements with leading suppliers for the study of new polymers, silicas, plasticisers and resins that are able to further improve the characteristics of tyres for rolling resistance, low temperature performance, mileage and road grip.

The Joint Labs agreement (2017-2020) between Pirelli and the Politecnico of Milan, aimed at research and training in the tyre industry, covers nanotechnology, the development of new synthetic polymers, new biopolymers and new bifunctional chemicals (e.g. serinol-pyrrole for improving polymer-charge interaction with reduced emission of volatile organic compounds - VOCs).

In the field of biomaterials, in addition to the introduction of resins and plasticisers from natural origin, Pirelli has focused on silica deriving from the rice husk, namely the outer shell of rice grain. The husk is by weight 20% of the raw rice grain and it is the main waste of this crop, because, in many areas of the world, it is not used but burned in the open air. Thanks to a partnership with various producers, Pirelli is evaluating the diversified supply of high performance silica from processes that start from

rice husks used as feedstocks, contributing to the industrial application of a circular economy model concerning waste materials. The combustion of the carbon part of the husk also allows a reduction of more than 90% of the amount of CO<sub>2</sub> emitted per kilogram of silica, compared to the conventional process that instead exploits fossil energy sources.

During 2020, silica from rice husks was approved and use in normal production began, with the aim of a volume scale-up to 15% of total silica consumption in 2022. Specific projects for the development of new materials from renewable sources, mainly focused on the use of waste feedstocks (for example new oils from waste biomass), are the subject of the framework agreement between Pirelli, CORIMAV (Consortium for Materials Research Advanced) and Bicocca University. In the context of the new nano-fillers, Pirelli has started to introduce in production process materials of mineral origin in a partial substitution of precipitated silica and carbon black, such as sepiolite. Still with a view to the circular economy, it should be noted that, in collaboration with the Bicocca University, Pirelli has filed a patent application for the use of lignin in tyres. Lignin, a low environmental impact additive of natural origin derived from the waste from the cellulose production process, is already used in a compound for Velo products. The innovations mentioned provide a water saving and more than 75% of CO<sub>2</sub> emissions reduction compared to the production processes of raw materials replaced.

Pirelli Research and Development constantly monitors the growing opportunities for the use (in increasing proportions) of materials from recycling. The development of innovative technologies for the production of materials from recycled end-of-life tyres (ELTs), such as powder obtained by fine grinding the tyre or carbon black obtained from tyre pyrolysis, allows them to be used in increasing quantities without compromising performance or safety, unlike the technologies of the past.

Some materials used in compound formulations (such as synthetic polymers, carbon-black and synthetic oils) can in turn be produced by feeding the synthesis process with certain quotas of feedstock from recycling (recycled polystyrene, oil from pyrolysis of ELTs): Pirelli works with partners aimed at developing, validating and applying these technologies in new materials.

There is constant research into material efficiency, which makes it possible to reduce the volumes purchased, as well as the weight of the finished product, with a significant positive environmental impact throughout the entire life cycle of the material and product.

Research is also continuing aimed at diversifying the potential supply sources of natural rubber, to reduce pressure on biodiversity in producer Countries and allow the Company to manage the potential scarcity of raw materials with greater flexibility. The sustainable management of the natural rubber supply chain, the so-called conflict minerals and the cobalt chain are specifically discussed in the “Our Suppliers” section of this report.

Further information on Pirelli’s Research & Development activities can be found in the paragraph “Our Suppliers” (R&D Partnership section) of this Annual Report.

## ENVIRONMENTAL IMPACT OF PIRELLI'S PRODUCTION SYSTEM

### Environmental management system and factory's performance monitoring

All the production facilities of Pirelli and the tyre testing field in Vizzola Ticino have Environmental Management Systems certified under International Standard ISO 14001. The International Standard ISO 14001 was adopted by Pirelli as a reference in 1997 and, since 2014, all the certificates have been issued with international accreditation ANAB (ANSI-ASQ National Accreditation Board: accrediting entity of the United States).

The certification of the environmental management system according to the ISO 14001 Standard is part of Pirelli's Environmental Policy and, as such, is extended to new settlements that become part of the Group. The certification activity, together with control and maintenance of previously implemented and certified systems, is coordinated on a centralised basis by the Health, Safety and Environment Department.

The environmental, health and safety performance of every tyre manufacturing site is monitored with the web-based Health, Safety and Environment Data Management (HSE-DM) system, which is processed and managed centrally by the Health, Safety and Environment Department. Pirelli has also developed the CSR-DM (Corporate Social Responsibility Data Management), an IT system for managing Group Sustainability information, which is used to consolidate the environmental and social performance of all Group subsidiaries worldwide. Both systems support consolidation of the environmental performance accounted for in this report.

### Scope of reporting

The performances reported in the following paragraphs concern the three-year period 2018-2019-2020 and cover the same scope of the Group's consolidation, including the impacts of all the units under operational control: from industrial realities to commercial and administrative sites.

The amount of finished product used in the calculation of the specific indices indicated below, in 2020 was over 615,000 tonnes.

### Environmental performances indices trend

In terms of materiality of environmental impacts (Carbon and Water Footprint) of the tyre along the entire life cycle, the production phase accounts for 2.6% of total greenhouse gas emissions impacts and for 13.3% of total water-related impacts.

The year 2020 saw a significant decrease in production volumes: the number of tonnes of finished product fell by 18% compared to the previous year (value calculated on a like-for-like basis), mainly due to exogenous factors connected with the Covid-19 pandemic emergency, which affected

production continuity and caused a sharp slowdown in the automotive market. This change in volumes, together with the geographical redistribution of production, had a particular impact on the specific indices (calculated on tonnes of finished product) relating to energy consumption, water withdrawal and waste production. On the other hand, the increase in the share of electricity from renewable sources used by Pirelli favoured an improvement in the index relating to specific greenhouse gas emissions, while the percentage of waste recovery remained stable.

All the equivalent specific indicators weighted on the operating result (compared to the Adjusted EBIT value) were impacted, while all the indices calculated in absolute terms of energy consumption, water consumption, waste production and greenhouse gas emissions decreased compared to the previous year.

It should be noted that the trend of all the above indicators is substantially influenced by the production focus adopted. Pirelli production is focused on *Premium* and *Prestige* tyres and its production processes are characterised by higher energy intensity, more stringent quality specifications, more complex processing and smaller production batches compared to the production processes of medium-low end tyres.

### **Energy Management**

Pirelli monitors, manages and reports its energy consumption through three main indicators:

- absolute consumption, measured in GJ, which includes the total consumption of electrical energy, thermal energy, natural gas and petroleum derivatives (fuel oil, gasoline, diesel, and LPG);
- specific consumption, as measured in GJ per tonne of finished product;
- specific consumption, as measured in GJ per euro of Operating Income.

The current Sustainability Plan provides for a 10% reduction in specific energy consumption by 2025 compared to 2019 values. It should be noted that, in March 2021, the Company will present the new Industrial Plan and the related strategic long-term sustainability targets, which will be published at the same time on the institutional website [www.pirelli.com](http://www.pirelli.com) for the benefit of all Stakeholders.

In the course of 2020, the energy efficiency plan continued at all Group plants, already initiated in recent years and characterised by actions aimed at:

- improving energy management systems, through measurement consumption, smart grid and a daily focus on technical indicators;
- optimising the procurement of energy resources, direct or indirect;
- improving the quality of energy transformation;



- improving the efficiency of distribution plants;
- improving the efficiency of production plants;
- recovering energy for secondary uses;
- applying targeted maintenance plans in order to reduce energy waste.

With regard to Life Cycle Assessment, the specific consumption of each plants is also mapped, whether dedicated to production or dedicated to the generation of energy carriers in order to: increase the standard reference indicators, compare similar families of machinery, evaluate in detail the energy content of the plants' different families of products and sub-products and implement actions to improve their energy performance.

In terms of compliance, every industrial facility completely fulfils the indications of law regarding energy consumption and management. The legislative situation affecting the Company includes the introduction of periodic audit mechanisms on energy management and use, as well as possible tariff incentives. In this regard, there were no critical elements or non-conformities.

The Energy Management System, certified according to the ISO 50001 standard has been adopted at the Breuberg plant (Germany).

Actions and investments for energy efficiency are alongside the assessment of environmental impacts to economic sustainability criteria normally applied to all Pirelli projects. The areas for technical action both concern the traditional themes applied to each industrial area, such as modernisation of thermal insulation, maintenance of distribution plants, use of technologies using inverters, and special projects assessed according to the needs of each manufacturing site.

During the course of 2020, the installation of LED lighting systems continued at production sites to replace less efficient traditional systems. To speed up the replacement plan, Pirelli also uses "Light Service" contracts, which define guaranteed levels of both energy savings and the quality of light achieved. Great attention was paid to the efficiency in the transformation of thermal energy and the recovery of thermal waste for heating of premises. There were also activities to improve the efficiency of both compressed air generation, using high-efficiency compressors, and energy flows, with a particular focus on cold management, starting with pilot initiatives in individual plants that will then be extended to all production units.

The activities to reduce compressed air and steam losses continued with excellent results, whether on machinery, generators and users, or on distribution lines. In spite of the suspension of the energy audit activities already started due to Covid-19, using company tools that allowed greater remote coordination, it was still possible to optimise the benchmarking activities between the different plants and accurately map the efficiency improvement actions of the various operating units. Moreover, the electrical absorption measurements performed on individual plants are continuing, in order to correlate specific consumption to production in greater detail, so as to optimise their operating conditions.

As regards the digitalisation of energy management, the production plants have been and will be equipped with smart systems (Green Button), which modulating the energy consumption based on the state of operation of the machinery, provide to disable the auxiliaries up to a stand-by regime with a minimum energy consumption at the minimum, but able to guarantee an immediate restart.

Energy efficiency in 2020 was significantly affected by the effects of the Covid-19 pandemic on production continuity and by the sharp slowdown in the automotive market: the impact on production volumes was about 18% lower than in the previous year.

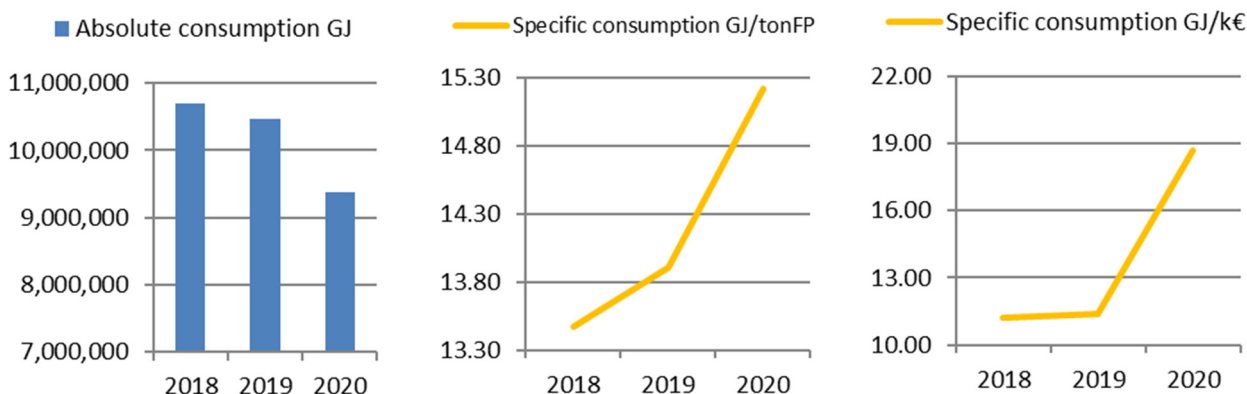
These exogenous factors are joined by the optimisation of the production mix towards *Premium* and *Prestige* products, characterised by very high technological and performance content and smaller production batches compared to medium-low-range tyre production processes. It follows that such tyres, during production, require a higher specific energy consumption than that of a standard tyre.

The application of energy management with a view to maximising industrial efficiency, implementing improvement and plant freezing logics (particularly during periods of lockdown of production plants due to Covid-19 restrictions), has resulted in savings of approximately 841,702 GJ in absolute terms. This value was estimated for each factory on the basis of production volumes in the reporting year and the change in efficiencies achieved in 2020 compared to the previous year.

The Group's specific energy index in 2020 showed an increase of 9.5% compared to 2019 (the year in which the reduction target to 2025 is also based) against, as mentioned, a much more significant percentage decrease in terms of production volumes. In terms of absolute consumption, on the other hand, there was an overall reduction of 10.5% compared to 2019.

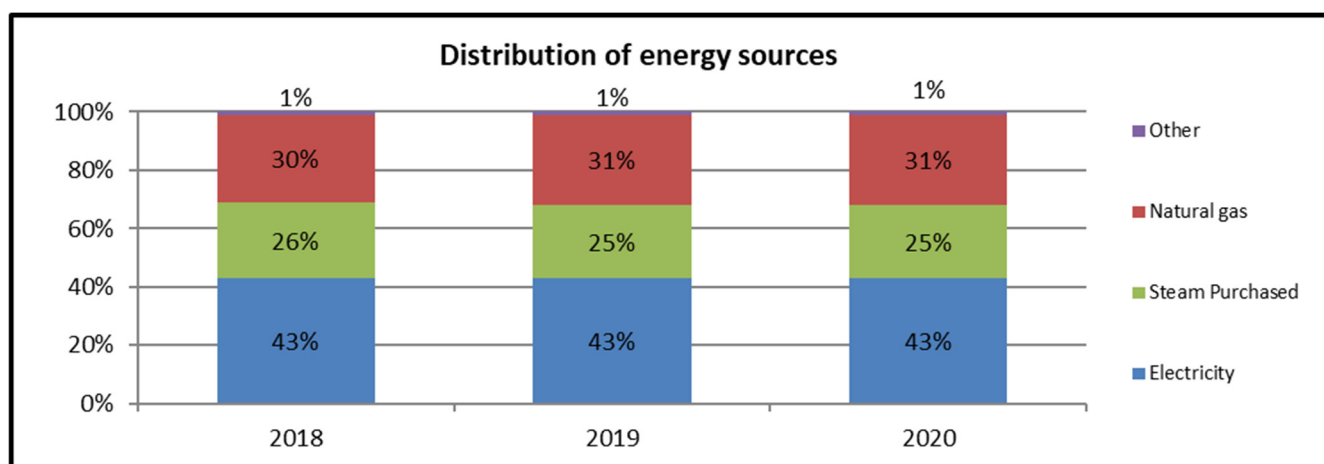
The absolute and specific consumption data reported in the following table were calculated by using direct measurements and were subsequently converted into GJ by using heating values from official IPCC sources.

		2018	2019	2020
<b>Absolute consumption</b>	GJ	10,688,588	10,467,443	9,373,179
	GJ/tonFP	13.48	13.90	15.22
<b>Specific consumption</b>	GJ/k€	11.19	11.41	18.70



The graph below highlights the “Distribution of energy sources” used in Pirelli production process: among the direct sources, all non-renewable, which account for 32% of the total, are natural gas and, to a lesser extent, other liquid fuels such as oil, LPG and diesel (classified as “other”); the remaining 68% is formed from indirect sources such as electrical energy and steam purchased.

Of the total electricity used by the Group, more than 52%<sup>30</sup> derives from renewable sources while for steam, the share generated by renewable sources corresponds to around 14% of the total.



The current Sustainability Plan envisages achieving 100% of electricity from renewable sources used on a group-wide basis by 2025.

### Management of Greenhouse Gas Emissions and Carbon Action Plan

Pirelli monitors and reports its<sup>31</sup> emissions of greenhouse gases through the calculation of CO<sub>2</sub>-equivalent (CO<sub>2</sub>e) – unit of measurement used for the emissions reported here below –, which takes into account the contribution of carbon dioxide, methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O). To quantify

<sup>30</sup> Figure including both share from direct procurement and national electric grid mix based on IEA data (International Energy Agency).

<sup>31</sup> GHG inventory perimeter as indicated in paragraph “Scope of Reporting”.

emissions, the energy consumption of all local units under operational control included in the scope of reporting are collected annually through the CSR-DM IT system.

Greenhouse gases are generated by the combustion of hydrocarbons at production sites, mainly used to operate heat generators that power Group plants, and particularly those that produce steam for vulcanisers, or by the consumption of electrical or thermal energy. The former are defined as “direct emissions”, or Scope 1 emissions, as produced within the Company’s production sites, while the latter compose the so-called “indirect emissions”, or Scope 2 emissions, as they are generated in the plants that produce the energy and steam purchased and consumed by Pirelli. The Scope 2 emissions are reported in two separate ways: *location-based* and *market-based* (methodology introduced in 2015 with the guideline “GHG Protocol Scope 2 Guidance” and current reference for Pirelli’s targets).

With regard to “other indirect emissions” attributable to Pirelli *Value Chain* activities, or Scope 3 emissions, in addition to the information reported in this section, please refer to the paragraph “Our Suppliers” (“CDP Supply Chain” section) for further information about the specific activities of Pirelli Suppliers. Instead, reference is made to the Group Footprint infographics in the paragraph “Pirelli Group Environmental Strategy and Footprint” for the representation of the impacts of Scope 3 of the various phases of the life cycle.

Performance as measured by energy and greenhouse gas emissions is calculated on the basis of emission factors obtained from the following sources:

- IPCC: Guidelines for National Greenhouse Gas Inventories (2006)<sup>32</sup>;
- Within Scope 2 *location-based*:
  - National emission factors<sup>33</sup> taken from IEA: CO<sub>2</sub> Emissions from Fuel Combustion<sup>34</sup>;
- Within Scope 2 *market-based*:
  - Specific emission factors of suppliers where available;
  - Residual-mix emission factors<sup>35</sup> taken from RE-DISS AIB (EU)<sup>36</sup> and Green-e (US)<sup>37</sup>;
  - Emission factors used in the context of location-based if other sources of data are not available;

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<sup>32</sup> Emission factors expressed in CO<sub>2</sub> equivalent, obtained by considering the GWP (Global Warming Potential) coefficients based on 100 years of the IPCC Fifth Assessment Report, 2014 (AR5).

<sup>33</sup> Emission factors expressed in CO<sub>2</sub>/kWh.

<sup>34</sup> 2020 Publication with update to the 2018 figure.

<sup>35</sup> Emission factors expressed in CO<sub>2</sub>/kWh.

<sup>36</sup> 2020 Publication with update to the 2019 figure.

<sup>37</sup> 2020 Publication with update to the 2018 figure.

and are reported according to the models proposed by:

- GHG Protocol: Corporate Accounting and Reporting Standard;
- GHG Protocol Scope 2 Guidance.

Regarding Scope 2 emissions, the national average coefficients are defined with respect to the last year available on the above reports. It should be noted that the tyre production industry is not a carbon-intensive industry; in fact, it falls within the European Emission Trading Scheme only with reference to thermal power plants above 20 MW of installed capacity. The Company is not subject to other specific regulations at the global level.

As in the case of energy, Pirelli monitors and accounts for its direct CO<sub>2</sub>e (Scope 1) and indirect (Scope 2) by using three principal indicators:

- absolute emissions, as measured in tonnes;
- specific emissions, as measured in tonnes per tonne of finished product;
- specific emissions, as measured in tons per euro of Operating Income.

The management, calculation and reporting model of Pirelli's greenhouse gas emissions has been defined according to the ISO 14064 standard and the related data have been subjected to specific limited audit activity by an independent third party company according to ISAE 3000.

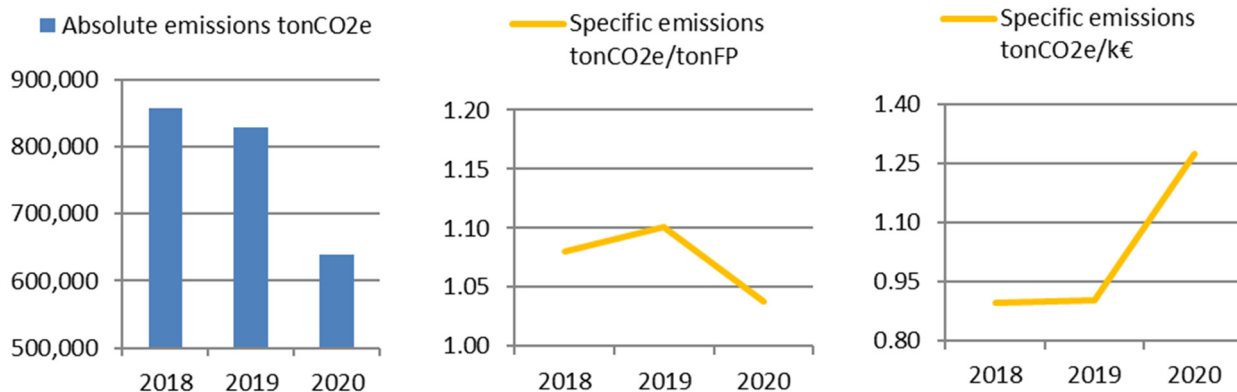
According to the Guidelines of the GHG Protocol Guide, the level of inventory uncertainty was evaluated as "Good".

The current Sustainability Plan envisages a 25% reduction in the group's absolute CO<sub>2</sub> emissions (scope 1 and scope 2 market based) by 2025 compared to 2015 values and an 8.6% reduction in absolute CO<sub>2</sub> emissions related to the purchase of raw materials (scope 3) by 2025 compared to 2018 values. Both targets were validated in June 2020 by the Science Based Targets initiative (SBTi), which judged them to be consistent with the actions needed to keep global warming "well below 2°C", as recommended by the Paris Agreement.

In addition, Pirelli has set the goal of using 100% electricity from renewable sources by 2025 and achieving group carbon neutrality by 2030.

Please note that in March 2021 the Company will present the new Industrial Plan and related long-term strategic sustainability targets, which will be published at the same time on the institutional website [www.pirelli.com](http://www.pirelli.com) for the benefit of all Stakeholders.

The following charts show the performance of the last three-year period:



In 2020, the Group’s absolute emissions were almost 23% lower than in 2019 and 31% lower than in 2015, the year in which the target (approved by the Science Based Targets initiative) to reduce absolute emissions to 2025 is based. Performance was positively affected by the reduction in production volumes due to the Covid-19 pandemic emergency.

Specific CO<sub>2</sub> emissions (weighted on tonnes of finished product) also decreased by 5.7% in 2020 compared to the 2019 figure, supported by the implementation of new initiatives in the field of renewables which, as already mentioned, allowed the share of electricity from renewable sources used by the group to increase to over 52%<sup>38</sup> of the total compared to 41% in 2019.

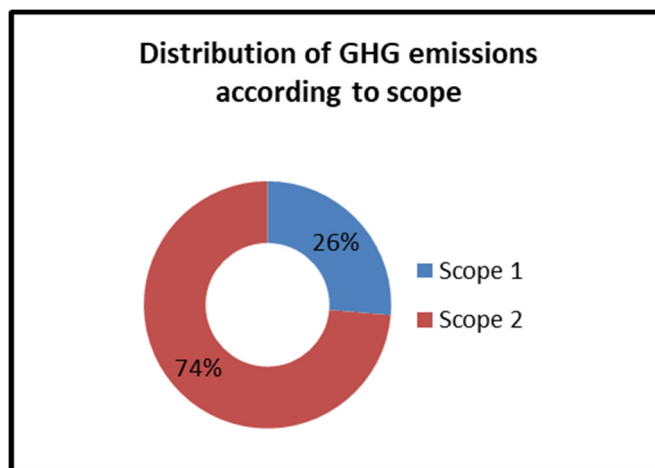
The portion of indirect emissions generated by the low-carbon projects implemented in Silao (Mexico), Carlisle and Burton (UK), Slatina (Romania), Settimo Torinese (Italy), Campinas and Gravatai (Brazil) - described below - was reported as prescribed by the Guidelines of the GHG Protocol, respectively for the procurement of electrical energy from renewable sources and steam from biomass.

<sup>38</sup> Figure including both share from direct procurement and national electric grid mix based on IEA data (International Energy Agency).

The following table reports absolute and specific emissions distinguishing between market-based (target reference) and location-based methodology for Scope 2.

GHG EMISSIONS ACCORDING TO SCOPE		2018	2019	2020
<b>Absolute emissions (Scope 1 and Scope 2 market-based)</b>	tonCO <sub>2</sub> e	856,923	828,388	638,730
<b>Scope 1</b>	tonCO <sub>2</sub> e	190,037	192,149	168,158
<b>Scope 2 (market-based)</b>	tonCO <sub>2</sub> e	666,886	636,239	470,572
<b>Scope 2 (location-based)</b>	tonCO <sub>2</sub> e	590,961	574,349	508,390
<b>Specific emissions (Scope 1 and Scope 2 market-based)</b>	tonCO <sub>2</sub> e/tonFP	1.080	1.100	1.037
	tonCO <sub>2</sub> e/k€	0.90	0.90	1.27

The following infographic highlights the weight of direct emissions (Scope 1) and indirect emissions (Scope 2 location-based) of the total absolute emissions of Pirelli.



To support the aim of reducing climate-altering gas emissions, Pirelli has defined a “Carbon Action Plan” with the aim of making increasing use of renewable energy sources through specific projects. These include:

- the cogeneration plant for the production of electricity, steam and hot water, present at the plant in Settimo Torinese (Italy). There are two cogeneration modules, for a total of nearly 6 MW of electricity: a 4.8 MW turbine unit powered by natural gas and a 1 MW internal combustion engine powered by vegetable oil, which ensures supply of thermal energy from renewable sources;
- the supply of steam generated by biomass plant, fuelled with waste wood from local supply chains, activated in Brazil for the Campinas and Gravataí plants. Thanks to this initiative, in the year 2020, the savings in terms of avoided CO<sub>2</sub>e emissions exceeded 18,000 tonnes (Scope 2);
- the procurement of electrical energy from renewable sources at the plant in Silao (Mexico). In 2020 the agreement continued for the dedicated supply of electricity generated from wind

sources, which in the year allowed the replacement of 8.4 GWh of energy from fossil fuels, for a saving in terms of CO<sub>2</sub>e emissions of around 3,800 tonnes (Scope 2);

- the supply of electricity from renewable sources at the Slatina plant (Romania). In 2020, the share of electricity certified from renewable sources exceeded 200 GWh, resulting in annual savings in terms of CO<sub>2</sub>e emissions of more than 60,000 tonnes (Scope 2)
- the procurement of electrical energy from renewable sources at the plants in Burton and Carlisle (UK). In 2020 the share of electricity certified from renewable sources exceeded 50 GWh, for an annual savings in terms of CO<sub>2</sub>e emissions of more than 17,500 tonnes (Scope 2).

The table below shows the emissions relating to Pirelli’s Carbon Footprint (Scope 1, 2 and 3) distributed along the different phases of the *value chain*.

GHG EMISSIONS GROUP FOOTPRINT		2018	2019 <sup>39</sup>	2020
Raw Materials (Scope 3)	10 <sup>3</sup> tonCO <sub>2</sub> e	2,659.6	2,563.9	2,077.1
Manufacturing (Scope 1 + 2 + 3)	10 <sup>3</sup> tonCO <sub>2</sub> e	1,231.1	1,198.8	940.0
Distribution (Scope 3)	10 <sup>3</sup> tonCO <sub>2</sub> e	90.0	84.4	71.5
Customers (Scope 3)	10 <sup>3</sup> tonCO <sub>2</sub> e	40,187.2	40,220.9	32,576.8
End-of-Life (Scope 3)	10 <sup>3</sup> tonCO <sub>2</sub> e	2.5	2.2	1.9
<b>Total</b>	10 <sup>3</sup> tonCO <sub>2</sub> e	44,170.4	44,070.2	35,667.3

With regard to absolute CO<sub>2</sub> emissions related to the purchase of raw materials, for which, as already mentioned, the Scope 3 target approved by the Science Based Targets initiative is set, there was a reduction of 19% in 2020 compared to 2019 and almost 22% compared to 2018, the year in which the 2025 reduction target is based.

In 2020, Pirelli continued in the compensation project of CO<sub>2</sub> emissions produced the previous year by its fleet of company cars, through the purchase and retiring of carbon credits belonging to the VCS standard (Verified Carbon Standard). Direct issuance of Pirelli auto policy, which introduces an *Internal Carbon Price model* for the economic quantification of the impacts associated with car emissions, this initiative aims to promote the choice of vehicles with less impact on the environment and support environmental protection projects. The cars in the Italian corporate fleet emitted 784 tonnes of CO<sub>2</sub> in 2019. In order to offset this impact on the climate, Pirelli supported two sustainable forest management projects: an international one, carried out in Brazil, for the financing of activities under the REDD programme (Reducing emissions from deforestation and forest degradation) and an Italian one, carried out in the forest areas of Ziano di Fiemme (TN), as part of the initiative “Restoring Forests Destroyed by Storm VAIA”. The activities financed with Pirelli’s contribution were carried out in 2020. The combination of the two projects made it possible to reduce about 160% of

<sup>39</sup> As from 2019, the value includes emissions generated by the Group’s business air travel and commuting by employees at the Milan headquarters. The value also includes some primary data collected directly from suppliers.



the emissions generated by company cars in 2019, thus going well beyond what is required by the policy in view of increasing environmental responsibility.

### **Water Management**

Pirelli monitors the Water Footprint along the life cycle of the product (as extensively explained earlier in this chapter), and in terms of materiality, the production phase of the tyres is the third most influential, after the phases of use of the product and production of raw materials.

In the aforementioned environmental strategy of Pirelli, the efficient and responsible use of water in production processes and at workplaces is addressed comprehensively, with actions to improve water efficiency in production processes, from design of the machinery to Facility Management activities. Particular attention is paid to the local context of the use of this precious resource, with the use of specific analysis tools (such as the Global Water Tool of the World Business Council for Sustainable Development and the Aqueduct Water Risks Atlas of the World Resources Institute) and dedicated action plans.

In addition, the management of water resources, of relations with relevant stakeholders (local communities, authorities, etc.) and the related potential impacts of the local context in which the production plants are located, is ensured by the environmental management systems implemented and certified in each production unit. Environmental management and its continuous improvement are also driven by the mapping of the main stakeholders, their interests and expectations.

The current Sustainability Plan envisages a target to reduce specific water withdrawal by 43% by 2025 compared to the 2015 value. It should be noted that in March 2021 the Company will present the new Industrial Plan and the related long-term strategic sustainability targets, which will be published at the same time on the institutional website [www.pirelli.com](http://www.pirelli.com) for the benefit of all Stakeholders.

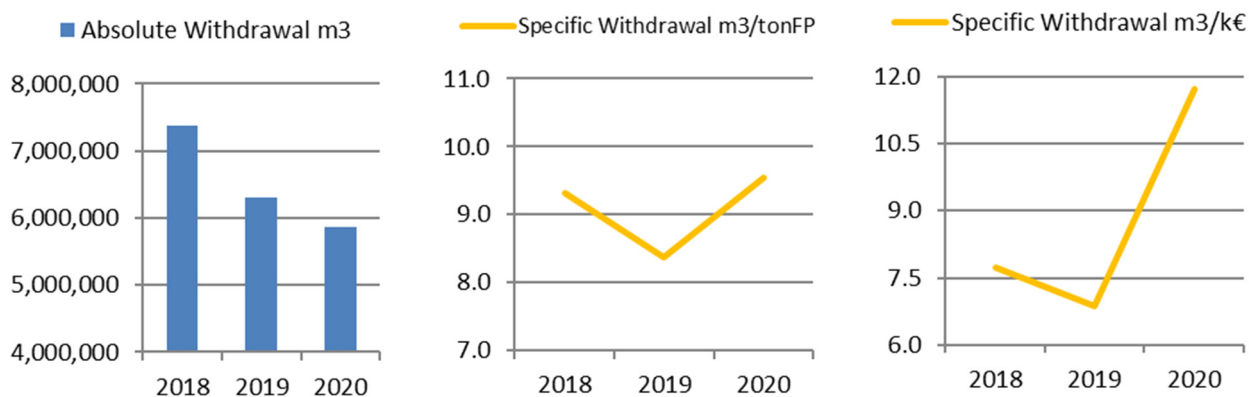
In 2020, the absolute withdrawal amounted to approximately 5.9 million cubic metres, a reduction of 6.8% compared to 2019. This reduction was mainly due to the reduction in production volumes following the Covid-19 pandemic, to which specific actions were added to limit the consequences of the reduction in production activity at industrial sites as much as possible. The specific levy, as weighed on the tons of finished product, was particularly impacted by the reduction in production volumes, standing at 9.5 cubic metres, an increase of about 14% compared to the previous year's value. Even considering the exceptionality of 2020, the index still shows a reduction of more than 25% compared to 2015, the base year for the 2025 reduction target.

In absolute terms and thanks to the actions implemented, since 2015 Pirelli has saved a total of more than 11 million cubic metres of water: an amount equivalent to the absolute withdrawal of about two years by the entire Group.

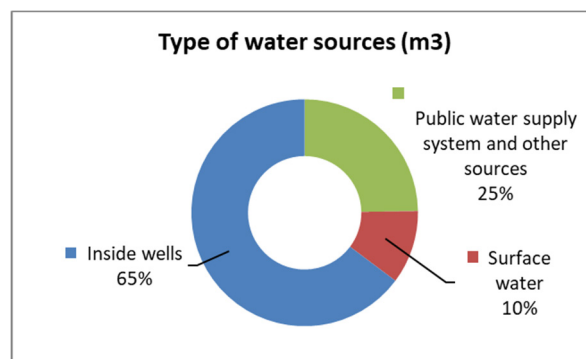
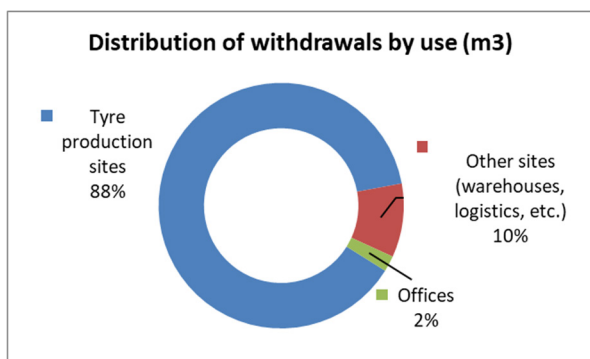
To give an overall view of performance in terms of water withdrawal over the last three years, the following tables report the indicators:

- absolute withdrawal, measured in cubic metres, which indicates the total withdrawal of water by the Group;
- specific withdrawal, measured in cubic metres per tonne of finished product, which indicates the withdrawal of water used to make one tonne of finished product;
- specific withdrawal, as measured in cubic metres per euro of Operating Income.

		2018	2019	2020
<b>Absolute Withdrawal</b>	m <sup>3</sup>	7,382,453	6,299,468	5,871,790
<b>Specific Withdrawal</b>	m <sup>3</sup> /tonFP	9.3	8.4	9.5
	m <sup>3</sup> /k€	7.7	6.9	11.7



All the figures reported in this paragraph have been collected by taking direct or indirect measurements and are communicated by the local units. The following two graphs show the distribution of absolute withdrawals by type of use and the weight of water supply by type of source.



65% of the water withdrawn is pumped from wells inside the plants and authorised by the competent authorities. In addition, Pirelli obtains 10% of its needs from surface water, taking care to ensure that this withdrawal is marginal in relation to the volume of the affected water bodies (always less than 5%). As for water from aqueducts or third-party sources, 55% is drawn from groundwater, while the remainder comes from surface water. The volume of water withdrawn from water stress areas<sup>40</sup> is about 50% of the total, while the volume of water pumped from water bodies located in protected areas is marginal at 120 cubic metres. In addition, about 176,000 cubic metres of water used, equivalent to about 3% of the total withdrawal, are obtained from the treatment of waste water from its production processes.

A total of about 4.4 million cubic metres of domestic and industrial waste water were discharged, with 58% of this into surface water bodies, but always in quantities that are marginal in relation to the volume of the receiving bodies (always less than 5%) and without significantly impacting biodiversity. The remaining amount was discharged into sewer networks.

Before being discharged into the final recipient, industrial waste water – adequately treated as necessary – is periodically subjected to analytical tests that certify substantial compliance with locally applicable statutory limits.

In particular, as regards the quality of industrial effluents of the production facilities, indicative average values are: 11 mg/l of BOD<sub>5</sub> (Biochemical Oxygen Demand), 30 mg/l of COD (Chemical Oxygen Demand) and 12 mg/l of Total Suspended Solids. It should also be noted that Pirelli does not use substances classified as “Substances of Very High Concern” as defined by EU Regulation no. 1907/2006, the so-called “REACH Regulation”.

SUMMARY	Water Type	Total		Water stress areas	
		Overall volume (m3)	Freshwater volume (m3)	Overall volume (m3)	Freshwater volume (m3)
WITHDRAWAL from	Surface water	614,497	614,497	559,057	559,067
	Wells	3,803,375	3,738,894	1,409,597	1,409,597
	Third parties	1,453,918	1,261,867	882,987	882,987
	<b>Total</b>	<b>5,871,790</b>	<b>5,615,258</b>	<b>2,851,651</b>	<b>2,851,651</b>
DISCHARGE to	Surface water	2,575,423	2,563,037	0	0
	Third parties	1,869,131	921,756	1,412,708	512,163
	<b>Total</b>	<b>4,444,554</b>	<b>3,484,793</b>	<b>1,412,708</b>	<b>512,163</b>
CONSUMPTION	<b>Total</b>	<b>1,427,236</b>	<b>2,130,465</b>	<b>1,438,943</b>	<b>2,339,488</b>

<sup>40</sup> Water stress areas: this includes all areas with a water stress level equal to or greater than high according to the WRI Aqueduct classification (Aqueduct Water Risk Atlas wri.org), as of 25 January 2021.

## Waste Management

The improvement of environmental performance connected with the management of waste is achieved through:

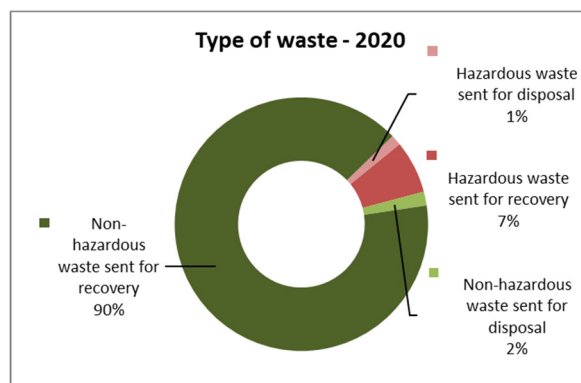
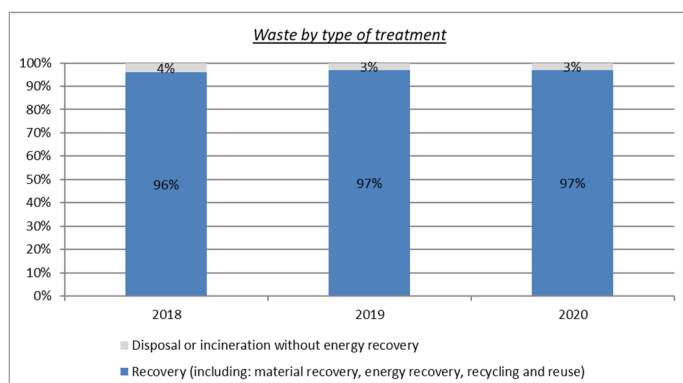
- innovation of production processes, with the aim of preventing the production of waste at the source, progressively reducing the processing of rejects and replacing current raw materials with new materials that have a lower environmental impact;
- operating management of generated waste, aimed at identifying and ensuring the selection of waste treatment channels that can maximise recovery and recycling, gradually eliminating the amount sent to the landfill with the *Zero Waste to Landfill* vision;
- streamlining packaging management, both for the packaging of purchased products and the packaging for products made by the Group.

Also in the case of waste, the effect of the pandemic crisis on the specific production index weighted on tonnes of finished product is evident, with a 10% increase in 2020 compared to the previous year. At the same time, there is a significant improvement in the absolute index, with an overall reduction in waste produced of 10% compared to the 2019 figure.

Despite this unfavourable context, the countermeasures taken have made it possible to confirm a percentage of waste sent for recovery of 97%, in line with the current Sustainability Plan, which envisages sending 98% of the waste produced for recovery by 2025, with a “Zero Waste to Landfill” vision.

And in line with the “Zero Waste to Landfill” Vision, the Turkish Izmit plant deserves a mention. At the end of 2020, it obtained “Zero Waste” government certification as 100% of its waste is sent for recovery and its management meets the criteria set out in the “Zero Waste Regulation” defined by the Turkish Ministry of the Environment and Town Planning.

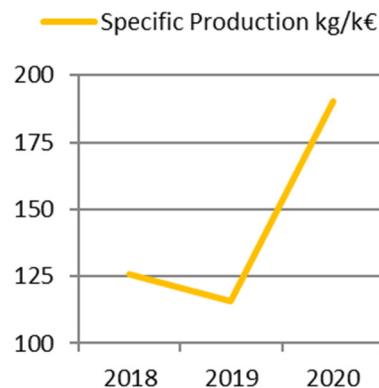
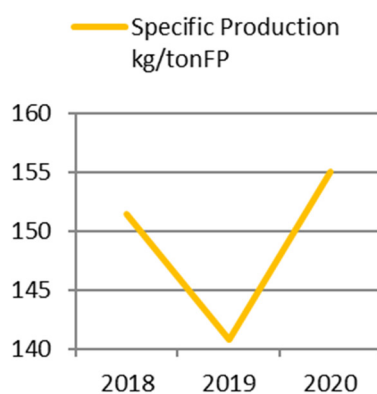
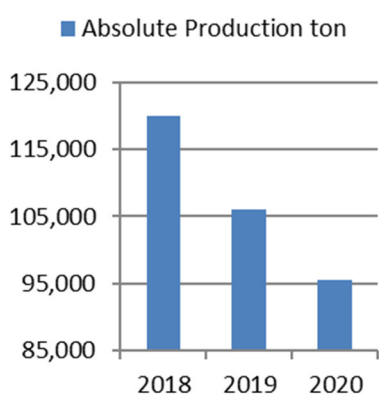
Hazardous waste accounts for 8% (compared to 10% in both 2019 and 2018) of total production and is totally sent for treatment in facilities located in the same country where it is generated.



The graphs below detail waste production through three main indicators:

- absolute production, as measured in tonnes;
- specific production, as measured in kilograms per tonne of finished product;
- specific production, as measured in kilograms per euro of Operating Income.

		2018	2019	2020
<b>Absolute production</b>	ton	120,096	105,977	95,470
<b>Specific production</b>	kg/tonFP	151	141	155
	kg/k€	126	116	190

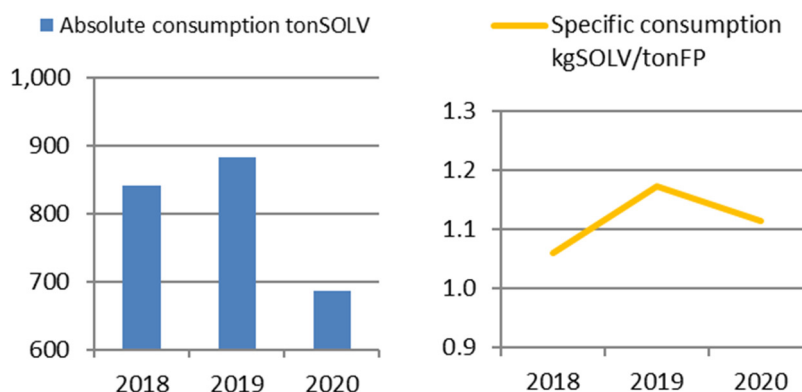


## Other Environmental Aspects

### Solvents

Solvents are used as ingredients in processing, mainly to reactivate vulcanised rubber, during the fabrication and finishing of tyres. Pirelli is committed to the progressive reduction of these substances, both by optimising their use, and by spreading solvent-free technologies for operations that may be performed even without their use. In 2020, the value of specific solvent consumption stabilised at 1.1 kg per tonne of tyres produced, a reduction of 5% compared to 2019, and in line with the 2018 figure, with emission of related VOCs slightly lower than total consumption.

		2018	2019	2020
<b>Absolute consumption</b>	tonSOLV	841	883	686
<b>Specific consumption</b>	kgSOLV/tonFP	1.1	1.2	1.1



### Biodiversity

Pirelli pays the utmost attention to ensuring that corporate activities do not interfere with the biodiversity characteristic of the contexts in which the Company operates. Currently, there are two Pirelli sites located within protected areas of high biological diversity: the site of Vizzola Ticino (Italy) and that of Elias Fausto (Brazil). Both sites are the locations of tyre test tracks. Both are not production sites but test fields for testing tyres.

The Vizzola site hosting the tyre test track has an area of 0.37 square kilometres and is part of the Lombard area of the Parco del Ticino, MAB area<sup>41</sup> of UNESCO, characterised by the presence of 23 species included in the IUCN Red List (International Union for the Conservation of Nature) of which: 17 are classified as “of least concern (LC)”, 1 as “near threatened (NT)”, 3 as “vulnerable (V)”, 1 as “endangered (EN)” and one as “Critically Endangered (CR)”.

To ensure the utmost protection of the natural environment in which the Vizzola test track is located, Pirelli has implemented an ISO 14001 certified Environmental Management System in accordance with the “Parco del Ticino”. Environmental impact on biodiversity in the area are not significant; however, several interventions were carried out, both directly by the Company and by the Park Authority, to mitigate and improve the interactions of Pirelli’s activities with the natural environment, as stipulated in the agreement signed in 2001. In 2016, a campaign to monitor air quality was also carried out, which highlighted the substantial negligence of the impacts of the activity compared to the context in which the test field is inserted.

The site of Elias Fausto (Brazil) is the new Brazilian test track, with an area of 1,588 square kilometres, and is located in an area with a prevalent cultivation of sugar cane where there are two streams (Itapocu and Tietê rivers) that provide permanent protection areas. There are 162 species on the IUCN Red List, of which 1 is classified as ‘vulnerable’ (V), 2 as ‘near-threatened’ (NT), 158 as ‘of minor concern’ (LC) and 1 as ‘missing data’ (DD). In order to maximise environmental

<sup>41</sup> Man and Biosphere is a group of biosphere reserves in many countries in the world protected by UNESCO with the aim of promoting socio-economic development and conservation of ecosystems and biological diversity.

protection in the area, Pirelli manages environmental issues, monitors and implements measures to conserve fauna and water resources, including the planting of native species and the control of noise levels in accordance with the environmental impact study carried out prior to the project, according to which the environmental impact of the activities on the region’s biodiversity is not significant.

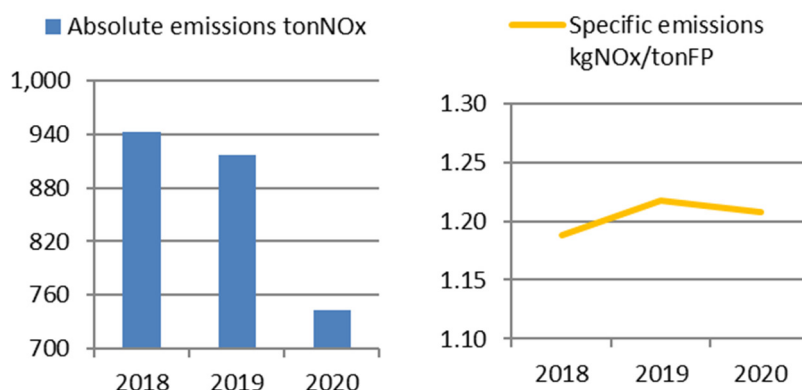
Pirelli’s focus on biodiversity is also very high with regard to the supply chain, as in the case of sustainable management of the natural rubber supply chain based on a no deforestation policy. For an extensive description of the sustainable management of the natural rubber supply chain, please refer to “Our suppliers” in this report.

### NOx Emissions

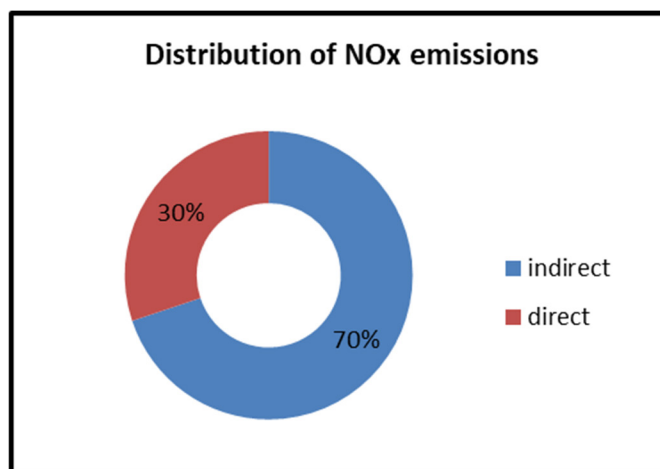
NO<sub>x</sub> emissions derive directly from the energy-generating processes used. In 2020, the index based on the tons of finished product fell by 0.8% compared to the 2019 figure, mainly due to a change of the mix of the energy consumed, which in particular saw an increase in the share of renewables, as described above. The emissions were calculated by applying the emission factors indicated by the EEA (European Environment Agency) to the energy consumption data.

In absolute terms, NO<sub>x</sub> emissions in 2020 fell by nearly 19% compared to the previous year and by 21% compared to 2018.

		2018	2019	2020
<b>Absolute emissions</b>	tonNO <sub>x</sub>	943	917	743
<b>Specific emissions</b>	kgNO <sub>x</sub> /tonFP	1.29	1.22	1.21



The following graph shows the 2020 weight of direct and indirect NO<sub>x</sub> emissions out of total NO<sub>x</sub> emissions.



Other emissions and environmental aspects

The production process does not directly use substances that are harmful to the ozone layer. These are instead contained in certain closed circuits of the cooling and air conditioning plants. Therefore, except for accidental and unforeseeable losses, there are no free emissions into the atmosphere that can be correlated with Pirelli manufacturing activities.

In 2020, direct emissions of SO<sub>x</sub>, caused by the combustion of diesel and fuel oil, came to 10.7 tonnes (respectively 13.7 tonnes in 2019 and 10.8 tonnes in 2018); the value is estimated based on EEA - European Environment Agency - emissions standards.

In terms of packaging management, the car tyre is a product generally sold without packaging.

The environmental management systems implemented at the production units assured constant and prompt monitoring and intervention regarding potential emergency situations that may arise, as well as the reports received from Stakeholders. During 2020, no incidents, complaints or significant sanctions related to environmental issues were recorded.

It is worth mentioning that in 2020 the Chinese production site in Yanzhou obtained the 'class A' certification (the most efficient) in terms of atmospheric emissions, awarded by the local government. Thanks to this classification, which confirms the high level of commitment to the management and containment of atmospheric emissions, the site will no longer be subject to production restrictions that are required by local regulations during periods of high atmospheric pollution.



## **Expenses and Investments**

In the three-year period 2018-2020, environmental expenditure related to the production process exceeded €63 million, of which about 33% was allocated in 2020. About 73% of this amount concerned normal management and administration of factories, while the remaining 27% was dedicated to preventive measures and improvement in environmental management.

Lastly, it should be noted that, consistent with the materiality analysis at the beginning of this section of the report, the most significant expenses that Pirelli dedicates to the environment are those relating to Product Research & Development: in 2020, the Company invested € 194.6 million in research and innovation of its products, with a constant focus on safety performance and reduction of environmental impacts and, simultaneously, production efficiency.

In the operations area, for the assessment of some new investments, the potential impacts associated with GHG emissions are highlighted, evaluating internally a Carbon Price.

### **Product and use phase: eco & safety performance targets**

In line with its position in the *Premium* and *Prestige* segments, Pirelli develops and introduces increasingly sophisticated products on the market, responding to a macroeconomic scenario in constant and rapid evolution. The significant corporate investment in research and development on materials, compounds, structures and tread patterns allows Pirelli products to achieve extremely high performance in terms of braking in dry and wet conditions and, at the same time, improved environmental performance such as:

- less rolling resistance – lower CO<sub>2</sub> emissions;
- less noise – reduced noise pollution;
- increased mileage – lengthening of tyre life and reduced exploitation of resources;

The targets to improve the environmental performances adopted by Pirelli for its products are objective, measurable and they consider the level of materiality of the impacts along the life cycle of the product with a perspective of the maximum effectiveness of the action. In particular, it was seen that the rolling resistance related to the use phase of the tyre constitutes the factor with most impact by far in environmental terms. In this regard, Pirelli has committed to reducing the average weighted rolling resistance of its passenger car tyres of 14% by 2025, compared to the 2015 average: at the end of 2020, the reduction is 9% compared to the 2015 average.

For an overview of product performance targets, please refer to the section “Sustainability planning and the UN Sustainable Development Goals” in this report.

Eco & Safety Performance<sup>42</sup> products include the CINTURATO™ P7™ Blue, with which solution Pirelli was the first manufacturer in the world present on the market with a tyre that, in some measurements, boasts the double A in the Eurolabel scale. This product is available, depending on the measurements, both in double A class and in B class of rolling resistance while always maintaining A class for wet grip. On average, the CINTURATO™ P7™ Blue guarantees 23% less rolling resistance than the Pirelli reference (rolling resistance class C), combined with lower fuel consumption and a reduction in the atmospheric emissions associated with it. A vehicle with CINTURATO™ P7™ Blue tyres that runs 15,000 km a year consumes 5.1% less fuel (equivalent to 52 litres), and reduces greenhouse gas emissions by 123.5 kilograms of CO<sub>2</sub> and has a braking distance on wet 9% lower than the Pirelli benchmark (class B of wet grip) in the same segment. Comparative TÜV SÜD tests showed that, at a speed of 80 km/h on a wet surface, the CINTURATO™ P7™ Blue reduces braking by 2.6 metres compared to a tyre classified B.

In 2020, Pirelli launched the new CINTURATO™ P7™. Starting with the previous generation, presented in 2009, and since then the type approval leader, the CINTURATO™ P7™ has undergone continuous updates thanks to the work in close contact between Pirelli and the major premium car manufacturers, which have led to further enhancement of the qualities that are most important to drivers today: safety and efficiency. Intense work on Research & Development has resulted in a high-tech product that overcomes some of the typical tyre compromises such as performance in the wet and rolling resistance. Compared to its predecessor, the new CINTURATO™ P7™ improves performance in both dry and wet driving, in aquaplaning and, in particular, in braking where at 100 km/h it reduces the vehicle stop by 4 metres. Innovation has also involved increasing the level of acoustic comfort (with less noise produced when rolling) and plastic comfort (thanks to its improved capacity to absorb asphalt bumps). Mileage is also increased by 6%, reducing the frequency of tyre replacement. Also in the area of efficiency, rolling resistance on average has improved by one class in European labelling (-12%), reducing the car's fuel consumption by 4% (measured in the WLTP cycle) and CO<sub>2</sub> emissions.

In terms of the materials used, the new CINTURATO™ P7™ is also full of innovations. The specially developed tread compound is enriched with silica and specific resins to increase grip, and with functionalised polymers that are capable of varying their behaviour according to the operating temperature of the tyre, offering an optimal experience in all driving conditions. In addition, thanks to greater mechanical resistance, the new compound has a reduced abrasion rate, with benefits in terms of durability for the benefit of efficiency and savings for motorists, and less use of materials, with a reduction in tyre weight and benefits in terms of rolling resistance and a more conscientious use of resources.

In 2020 Pirelli achieved excellent results in the development of products with low rolling resistance, even on products suitable for off-road use, with the creation, at the request of Land Rover for its new Defender, of a new version of Scorpion Zero All Season tyres in rolling resistance class A, tested for off-road and wet grass applications.

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<sup>42</sup> Eco & Safety Performance products identify the car tyres that Pirelli produces throughout the world that fall exclusively into classes A, B, C of rolling resistance and wet grip according to the labelling parameters set by European regulations.

Even in the area of high-performance cars, attention to the environment has become a discriminating element with the challenge of reducing rolling resistance while maintaining the level of performance expected for this segment. At the 2019 Geneva Motor Show, Pirelli presented the Elect marking that distinguishes tyres specifically created for the needs of electric and plug-in hybrid cars. Low rolling resistance to increase autonomy, low tyre rolling noise to ensure optimum comfort, immediate grip for transmission stresses at the start and a structure suitable for supporting the weight of the battery-powered vehicle. These are the main features of Pirelli Elect tyres, developed by Pirelli in collaboration with leading carmakers to meet the specific technological requirements of electric and plug-in hybrid vehicles. For the Porsche Taycan, Pirelli has developed a dedicated P Zero tyre marked Elect, which guarantees maximum performance for the vehicle and, for the winter season, tyres with Elect technology on the Winter Sottozero 3, Scorpion Winter and P Zero Winter lines. Rivian, a US start-up specialising in electric vehicles, has also chosen the Pirelli Scorpion range marked Elect to tyre its R1T pick-up and R1S electric SUV. To this end, Pirelli has produced new versions of the Scorpion Verde All Season, Scorpion Zero All Season and Scorpion All Terrain tyres (the Pirelli range dedicated to SUVs and pick-ups).

As far as motorcycle tyres are concerned, for the *Enduro On* segment, development of the METZELER TOURANCE NEXT 2 was completed in 2020 and it will be available on the market from 2021. Compared to its predecessor TOURANCE NEXT, the main features of the new product are a wider tread pattern, specially designed to increase wet braking and to lower rolling resistance. For the *Supersport* segment, in 2020 Pirelli developed the new Diablo Rosso IV, also available on the market from 2021, which improves on the behaviour of its predecessor Diablo Rosso III on both wet and dry surfaces and guarantees performance retention even when worn, thus extending the life of the tyre for even the most performance-conscious users.

As far as bicycle tyres are concerned, Pirelli recently expanded its product lines, adding the CINTURATO™ Velo and the Cycl-e™ range to the P ZERO™ Velo, along with the Cinturato™ GRAVEL range, the SCORPION™ MTB range and the PZero™ Race TLR range.

The compound of the SCORPION™ MTB range, which also includes a line dedicated to E-MTBs, contains lignin (Pirelli Patent Pending), a low environmental impact additive of natural origin derived from the waste products of the cellulose production process. The addition of lignin further improves the mechanical properties of the rubber, promoting better resistance to tearing, as required for use on powerful modern E-MTBs. This improved performance is achieved without compromising the unique characteristics of the original SmartGRIP Compound, starting with the chemical grip and its durability. The result is superior grip in all terrain conditions, from dry to wet, and consistent and predictable tyre performance throughout its life cycle, despite the increased stresses to which E-MTB tyres are subjected.

In 2020, thanks to the experience gained in the car sector, Pirelli has developed the winter tyre CYCL-e WT, suitable for urban bikes and e-bikes, thus favouring the safe use and driving pleasure of the bicycle in all the seasons. The tyres of the Cycl-e™ line have been developed and manufactured using a compound that contains the powder recovered from end-of-life car tyres: the powders are selected, re-generated and re-used in the polymer matrix. In addition, special attention

has been paid to maximising the use of natural rubber, a raw material from a renewable source, in the compounds.

Pirelli products of the highest technology do not stop at tyres. Pirelli continues, in fact, the development of CYBER™ technologies, based on the introduction of sensors inside the tyre, in order to obtain from the single point of contact with the road, useful information to increase the safety, sustainability and performance of vehicles.

CYBER™ technologies are divided into products dedicated to original equipment (Cyber™ Tyre), end consumer (Track Adrenaline) and fleet (Cyber™ Fleet). The common denominator of the three projects (which differ in technology, purpose and market segment) is the constant monitoring of tyre usage conditions (including pressure and temperature) and the dynamic forces acting on them. All this in order to improve safety and optimise fuel consumption, thereby reducing CO<sub>2</sub> emissions attributable to road transport.

With Cyber™ Tyre, Pirelli will provide the car with information about the tyre model, mileage, dynamic load and, for the first time, potentially dangerous situations on the road surface. On the basis of this information, the car will be able to adapt its driver assistance systems to significantly improve safety, comfort and performance levels.

The new Cinturato P7 will also be the subject of experimentation by Pirelli's CYBER™ department, the company that was the first to connect the tyre to the 5G network, a technology that is currently being tested and will be used in smart cities in the near future. Pirelli is the first company in the world in the tyre sector to share information on the road surface detected by smart tyres on the 5G network, the tyre being the only element of the car capable of "feeling" the ground on which it is travelling and detecting potentially dangerous situations such as aquaplanes. Soon, communications infrastructure with 5G technology will be able to collect information from tyres, relaying it to other vehicles to increase the level of road safety. In this way, the tyre enters a broader communication paradigm involving the entire road transport ecosystem, actively contributing to the development of solutions and services for future mobility and autonomous driving systems.

In addition, Pirelli CYBER™ technology, based on sensors and remote monitoring of tyre pressure and temperature, has been integrated into Infogestweb's Golia (Gestionale Organizzazione Lavoro Imprese e Autotrasporto) portal and is available for all commercial transport vehicles. Thanks to this integration with Golia, the only fleet management platform in Europe dedicated to the complete management of tachograph data, fleet managers can remotely monitor the driving, working and rest times of professional drivers, fleet operating data and tyre use and maintenance conditions.

Among the Open Innovation initiatives, we should highlight the Joint Labs agreement between Pirelli and the Politecnico of Milan, established in 2011, aimed at research and training in the tyre sector, in particular through the development of innovative materials and technologies for sustainable and increasingly safe mobility. The new phase of the three-year agreement (2017-2020) focuses on two research macro-areas: the innovative materials area and the product technology and CYBER™ development area.

Throughout the years of partnership, the agreement has made it possible to achieve important results in terms of tyre performance, the relative level of safety and sustainability, thanks to the use of advanced materials. Research has focused mainly on the production and functionalisation of carbonaceous fillers (from graphene, to nanotubes to carbon black); on the preparation of modified silicate fibres; on the study of alternative natural rubber sources up to the synthesis of innovative polymers and self-repairing materials. Attention has also been paid to the regulatory area of the mechanics, where, since 2011, 12 research contracts have been activated in the Cyber™ Tyre and in the F1®, with the study of tyre-asphalt interaction. One area of particular interest was the study of low-noise tyres (Silent Tyre project). In fact, innovative test methodologies have been applied for the indoor measurement of the acoustic field generated by the rolling tyre. Recently, experimental tyre aerodynamic modelling studies have also been launched in the bicycle and automotive sectors.

### ***Tyre and Road Wear Particles***

For many years, Pirelli has paid great attention to the theme of “Tyre and Road Wear Particles” (TRWP), the micrometric particles produced by the combined wear and tear of the road and tyre during vehicle circulation. The phenomenon of TRWP is complex, since the generation of these particles is not only linked to the combined wear of the road and tyre, but also substantially to the characteristics and conditions of use of the vehicle (weight, mass distribution, correct tyre pressure, etc.), the characteristics of the roads (material and roughness of the roads, being straight or winding, uphill or downhill, etc.), environmental conditions (dry or humid climate, hot or cold) and driving style (aggressive or relaxed, at high or moderate speeds, with sharp or progressive braking, etc.). Scientific studies (see “WBCSD” in this report) conducted so far have not shown significant risks to human health and the environment: however, the definition and implementation of effective actions for the mitigation of TRWP generation is strongly linked to the variety and number of causal factors mentioned above: it should be noted that some of them, such as driving style, road and vehicle characteristics, have more influence than the tyre considered individually.

The multiple causal factors extrinsic to the tyre and belonging to the sphere of influence of multiple Stakeholders require a combined action by all actors in order to define and implement the most effective mitigation actions. The need for a multi-stakeholder commitment led to the creation of the “European TRWP Platform” launched by ETRMA (see details in the “ETRMA” section of this report), which saw the participation, in addition to the Tyre Industry, of Road Authorities, Automobile Manufacturers Association, Automobile Clubs, Waste Water Treatment Sector, Universities and Research Centres, NGOs, European Institutions and national authorities. The platform will continue its work in 2021 and, as in 2019 and 2020, will be supported by CSR Europe.

As far as specific actions on tyres are concerned, Pirelli’s commitment to TRWP is expressed both through active participation in the most important collaborative projects of the tyre industry on TRWP (see the “ETRMA” and “WBCSD” sections of this report) and through its own Research and Development activities on tyre materials and design, aimed at continuously improving tyre wear and, consequently, minimising the contribution to TRWP. In addition to this, it collaborates with public

authorities and the tyre industry to support the development of standardised methods for measuring tyre wear, for example within the European Union, where a dedicated activity has begun.

### **Management of end-of-life tyres**

In terms of materiality, the end-of-life phase of the product has a low proportion of the total impact of the tyre on the environment, as already highlighted in the infographic related to the Group's Carbon and Water Footprint.

In the world, it is estimated that one billion tyres reach the end-of-life each year. On a global scale, 60% of end-of-life tyres (ELTs) are recovered (Source: WBCSD 2018 - Global ELT Management – A global state of knowledge on regulation, management systems, impacts of recovery and technologies), while in Europe and the United States the recovery stands at 91% (Source: ETRMA 2020, data from 2018) and 76% (source: USTMA - 2019 US Scrap Tyre Management Summary).

For years, Pirelli has been engaged in the management of ELTs. The Company actively collaborates with the main reference entities at national and international level, promoting the identification and development of solutions to enhance and promote the sustainable recovery of ELTs, shared with the various Stakeholders and based on the Circular Economy model. In particular, Pirelli is active in the Tyre Industry Project (TIPG) of the World Business Council for Sustainable Development (WBCSD), in the ELT working groups of ETRMA (European Tyres and Rubber Manufacturers' Association) and, at national and local level, it interacts directly with leading organisations active in the recovery and recycling of ELTs. As a member of TIPG, Pirelli Tyre has collaborated on the publication of guidelines on the management of ELTs (WBCSD "A framework for effective management systems" in 2008 and "Managing End-of-Life Tires" in 2010), taking a proactive approach to raising the awareness both within Emerging Countries and those that do not yet have a system for ELTs recovery, in order to promote their recovery according to "best practices", i.e. defined management models which have already been launched successfully.

The tyre is a mixture of many valuable materials that at end-of-life allow two paths of recovery: recovery of material (such as "secondary raw materials") or energy. In the recovery of material, the reclaimed rubber is already reused by Pirelli in the compounds for new tyres, thus contributing to the reduction of the related environmental impact. In order to increase this recovery rate, research activities following our Open Innovation model are continuing, aimed at improving the quality of recovered secondary raw materials in terms of affinity with the other raw materials and the other ingredients present in our ultra-high performance compounds, as well as in the search for innovative recovery solutions.

## SOCIAL DIMENSION

### Human Rights Governance

Pirelli bases its activities on compliance with the universally established Human Rights, as fundamental and indispensable values of its culture and business strategy, working to manage and reduce potential risks of violations and in order to avoid causing – or contributing to causing – adverse impacts to these rights in the international, multicultural, socially and economically diverse context in which it operates.

The Company promotes respect for Human Rights and adherence to international standards applicable at its Partners and Stakeholders and aligns its governance to the Global Compact of the United Nations, to the ISO 26000 Guidelines, to the dictates of the SA8000® Standard and underlying international standards, and the recommendations contained in the Guiding Principles Business and Human Rights of the United Nations, implementing the Protect, Respect and Remedy Framework.

The human rights management processes are handled by Pirelli Sustainability Department, which acts in concert with the affected and responsible functions, at central level and in the various Countries, with reference to both the Internal and External Community.

Pirelli's commitment on human rights is dealt with extensively in the Group "Global Human Rights" Policy, which describes the management model adopted by the Company in respect of core Rights and Values such as occupational health and safety, non-discrimination, freedom of association, refusal of forced labour, guarantee of decent work conditions in economic and sustainable terms and in terms of working hours, protection of rights and values of local communities, refusal of any form of corruption and protection of privacy. Further references to respect for human rights are also found in other company documents: "Values and the Code of Ethics", the "Social Responsibility Policy on Occupational Health, Safety and Rights and Environment", the "Global Health, Safety and Environment" Policy, the "Privacy" Policy, the "Equal Opportunities Statement" and the "Policy on the Sustainable Management of Natural Rubber". All the documents were communicated to employees in the local language and published on Pirelli website in multiple languages.

To identify, assess, prevent and mitigate the risks of violation of Human Rights, the Company:

- ensures awareness among its employees through information and training starting from the course for new hires (in this regard, reference is made to the paragraph "Focus: Training on Sustainability and Corporate Governance");
- manages its supply chain responsibly and specifically includes respect for human rights in the selection parameters of its suppliers, the contractual clauses and verifications carried out by third-party audits. Pirelli also requires its suppliers to implement a similar business model on their supply chain, including adequate due diligence aimed at certifying that the products and materials provided to Pirelli are "conflict free" throughout the supply chain. From 2019, Pirelli has also subscribed to the "Cobalt Initiative" launched by RMI. With specific reference to the natural rubber context, Pirelli promotes decent working conditions, development of local communities and prevention of conflicts related to land ownership (for an in-depth study

on the sustainable management of Natural Rubber, and other materials, please refer to the paragraph “Our Suppliers” in this Report);

- is open to cooperation with government and non-government, sectoral and academic entities in relation to the development of global policies and principles aimed at protecting human rights; This is the context in which the Group CEO will sign the “*CEO Guide on Human Rights*” promoted by the WBCSD in 2019 (see the “WBCSD” section of this Report);
- before investing in a specific market, conducts ad hoc assessments of any political, financial, environmental and social risks, including those related to the respect of human and labour rights. The internal and external context is monitored in those Countries where the Company does operate, in view of preventing negative impacts on human rights in the ambit of the sphere of corporate influence, and if so, remedying them;
- makes available to its Stakeholders a channel dedicated to the reporting, even anonymous, of any situations that constitute or may constitute a risk of violation of Human Rights (in this regard and with reference to the reports received in the last three years, please refer to the paragraph “Focus: reporting procedure - Whistleblowing Policy” in this report).

In terms of materiality in the Company value chain, the respect for human rights and labour rights assumes particular importance in human resources and supply chain management.

Between late 2019 and early 2020, Pirelli updated its analysis of the risk of violation of human rights on its own premises, in the related value chain (suppliers and customers) and in the local context external to Pirelli, asking the main Stakeholders to fill out a dedicated survey. With regard to the perception of internal risk at Pirelli’s sites and in the relative value chain, the survey was submitted to the function managers and to the Sustainability Managers of the Group’s sites, while regarding the perception of risk in the external context the survey was submitted to both the aforementioned Pirelli functions and to local Non-Governmental Organisations of reference.

The survey asked for an indication of the current and potential (referring to the next 5-10 years) perceived risk value on a scale from 1 to 4 (1 = low risk, 2 = medium-low risk, 3 = medium-high risk and 4 = high risk) for each of the 20 indicated human rights, deriving from the Universal Convention of the Human Rights of the United Nations and the ILO Declaration on the Fundamental Principles and Rights of Labour.

With reference to the internal situation at Pirelli’s sites, the consolidation of the feedback received revealed not significant risks; the average values recorded are, in fact, less than 1.12 for current risks and less than 1.15 for medium-long-term risks. A similar situation is recorded with reference to the Group’s value chain, whose average values recorded do not exceed 1.18 for current risks and 1.29 for potential risks.

The consolidation of the feedback received from Non-Governmental Organisations, with reference to the risk perceived in the local context external to Pirelli, showed, on average, low or medium-low risks; the average values recorded are, in fact, less than 1.74 for current risks, while they reach 1.98



for medium-long-term risks. The value of 1.98 corresponds to the risk of violation of the right to fair justice, which coincides, moreover, with the risk perceived as increasing the most in the coming years.

INTERNAL COMMUNITY

**Pirelli Employees around the world**

The total Pirelli workforce as at 31 December 2020 - expressed in *Full Time Equivalent* and including agency workers - stood at 30,510 employees (vs. 31,575 in 2019 and 31,489 in 2018), recording a net decrease of 1,065 employees compared to the previous year.

The following tables<sup>43</sup>, with reference to the last three years<sup>43</sup>, detail the composition of the workforce by category, geographical area, gender, type of contract, and the flow of employees by geographical area<sup>44</sup>, gender and age bracket.

To complete the information on the trend of the workforce during the year, please refer to the paragraph “Industrial Relations” in this Report.

Additional quantitative information with specific reference to the issue of diversity is provided in the “Diversity Management” section of this Report.

<b>BREAKDOWN OF WORKFORCE<sup>45</sup> BY CATEGORY</b>					
	<b>EXECUTIVES</b>	<b>CADRE</b>	<b>WHITE COLLARS</b>	<b>BLUE COLLARS</b>	<b>TOTAL</b>
<b>2020</b>	257	1,752	4,060	24,441	<b>30,510</b>
<b>2019</b>	271	1,893	4,617	24,794	<b>31,575</b>
<b>2018</b>	288	1,945	4,643	24,612	<b>31,489</b>

<sup>43</sup> Staff numbers are expressed in Full Time Equivalent; while respecting the totals, partial values entered in the table may be subject to rounding.

<sup>44</sup> Europe: Austria, Belgium, France, Germany, Greece, Italy, Netherlands, Poland, Czech Republic, United Kingdom, Romania, Slovakia, Spain, Switzerland, Turkey, Hungary. North America: Canada, Mexico, United States. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, Korea, Japan, Singapore, Taiwan. Russia, Nordics & MEA: Saudi Arabia, Egypt, India, Russia, South Africa, Sweden, UAE.

<sup>45</sup> These data include agency workers, corresponding to 0.1% of total workforce in 2018, 0.2% in 2019 and 0.6% in 2020.

**BREAKDOWN OF WORKFORCE<sup>46</sup> BY GEOGRAPHICAL AREA<sup>47</sup> AND GENDER**

	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>EUROPE</b>	10,951	1,774	<b>12,725</b>	11,295	1,803	<b>13,098</b>	11,178	1,773	<b>12,951</b>
<b>NORTH AMERICA</b>	2,752	480	<b>3,232</b>	2,758	507	<b>3,265</b>	2,497	503	<b>3,000</b>
<b>SOUTH AMERICA</b>	7,293	647	<b>7,940</b>	7,288	677	<b>7,964</b>	7,577	693	<b>8,270</b>
<b>APAC</b>	3,093	834	<b>3,927</b>	3,280	854	<b>4,134</b>	3,247	868	<b>4,115</b>
<b>RUSSIA, NORDICS &amp; MEAI</b>	2,110	576	<b>2,686</b>	2,431	684	<b>3,115</b>	2,438	715	<b>3,154</b>
<b>TOTAL</b>	<b>26,199</b>	<b>4,311</b>	<b>30,510</b>	<b>27,051</b>	<b>4,524</b>	<b>31,575</b>	<b>26,937</b>	<b>4,552</b>	<b>31,489</b>

<sup>46</sup> These data include agency workers, corresponding to 0.1% of total workforce in 2018, 0.2% in 2019 and 0.6% in 2020.

<sup>47</sup> Europe: Austria, Belgium, France, Germany, Greece, Italy, Netherlands, Poland, Czech Rep United Kingdom, Romania, Slovakia, Spain, Switzerland, Turkey, Hungary. North America: Canada, Mexico, United States. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, India, Japan, Singapore, South Korea, Taiwan. Russia, Nordics & MEAI: Saudi Arabia, Egypt, India, Russia, South Africa, Sweden, UAE.

**BREAKDOWN OF WORKFORCE<sup>48</sup> BY GEOGRAPHICAL AREA<sup>49</sup> AND CONTRACT**

2020				
	Permanent	Temporary	Agency	Total
EUROPE	11,923	795	7	12,725
NORTH AMERICA	3,024	1	27	3,232
SOUTH AMERICA	7,750	54	136	7,940
APAC	3,923	4	0	3,927
RUSSIA, NORDICS & MEAI	2,562	124	0	2,686
<b>TOTAL</b>	<b>29,362</b>	<b>978</b>	<b>170</b>	<b>30,510</b>
2019				
	Permanent	Temporary	Agency	Total
EUROPE	12,513	565	20	13,098
NORTH AMERICA	3,237	0	28	3,265
SOUTH AMERICA	7,779	185	0	7,964
APAC	4,131	3	0	4,134
RUSSIA, NORDICS & MEAI	3,014	98	2	3,115
<b>TOTAL</b>	<b>30,674</b>	<b>851</b>	<b>50</b>	<b>31,575</b>
2018				
	Permanent	Temporary	Agency	Total
EUROPE	12,365	561	26	12,951
NORTH AMERICA	2,987	0	13	3,000
SOUTH AMERICA	8,099	171	0	8,270
APAC	4,109	6	0	4,115
RUSSIA, NORDICS & MEAI	3,028	68	3	3,154
<b>TOTAL</b>	<b>30,642</b>	<b>805</b>	<b>42</b>	<b>31,489</b>

<sup>48</sup> These data include agency workers, corresponding to 0.1% of total workforce in 2018, 0.2% in 2019 and 0.6% in 2020.

<sup>49</sup> Europe: Austria, Belgium, France, Germany, Greece, Italy, Netherlands, Poland, Czech Republic, United Kingdom, Romania, Slovakia, Spain, Switzerland, Turkey, Hungary. North America: Canada, Mexico, United States. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, Korea, Japan, Singapore, Taiwan. Russia, Nordics & MEAI: Saudi Arabia, Egypt, India, Russia, South Africa, Sweden, UAE. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, Korea, Japan, India, Singapore, Taiwan. Russia, Nordics: & MEAI: Saudi Arabia, Egypt, India, Russia, South Africa, Sweden, UAE.

**PERCENTAGE OF EMPLOYEES BY CATEGORY, GENDER AND AGE**

2020															
	Executives			Cadre			White collars			Blue collars			Total		
	M	F	tot	M	F	tot	M	F	tot	M	F	tot	M	F	tot
<30	0%	0%	0%	2%	2%	2%	20%	29%	23%	23%	19%	23%	21%	20%	21%
30 - 50	50%	59%	51%	63%	73%	66%	63%	56%	61%	63%	73%	64%	63%	68%	63%
>50	50%	41%	49%	35%	25%	32%	17%	15%	16%	14%	8%	13%	16%	12%	15%
2019															
	Executives			Cadre			White collars			Blue collars			Total		
	M	F	tot	M	F	tot	M	F	tot	M	F	tot	M	F	tot
<30	0%	0%	0%	3%	4%	3%	22%	30%	25%	26%	24%	26%	24%	24%	24%
30 - 50	55%	69%	57%	66%	75%	68%	64%	56%	61%	62%	70%	63%	63%	66%	63%
>50	45%	31%	43%	31%	21%	29%	14%	14%	14%	12%	6%	11%	13%	11%	13%
2018															
	Executives			Cadre			White collars			Blue collars			Total		
	M	F	tot	M	F	tot	M	F	tot	M	F	tot	M	F	tot
<30	0%	0%	0%	3%	3%	3%	24%	33%	27%	29%	27%	28%	26%	27%	26%
30 - 50	48%	66%	50%	64%	74%	67%	60%	53%	58%	59%	66%	60%	60%	62%	60%
>50	52%	34%	50%	33%	23%	30%	16%	14%	15%	12%	7%	12%	14%	11%	14%

**EMPLOYEES WITH PART TIME CONTRACT BY GENDER**

2020			2019			2018		
Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
120	154	274	157	205	362	137	183	320

**Employee flows by geographic area<sup>50</sup>, gender and age**

The following data refer to incoming/outgoing employees. The entry and exit rates are calculated by comparing the number of entries and exits of each category to the total number of employees belonging to that category as of 31 December. The disposals and acquisitions of companies or business units, and changes in work schedules from full-time to part-time are not considered.

<sup>50</sup> Europe: Austria, Belgium, France, Germany, Greece, Italy, Netherlands, Poland, Czech Rep United Kingdom, Romania, Slovakia, Spain, Switzerland, Turkey, Hungary. North America: Canada, Mexico, United States. South America: Argentina, Brazil, Chile, Colombia. Asia Pacific: Australia, China, India, Japan, Singapore, South Korea, Taiwan. Russia, Nordics & MEAL: Saudi Arabia, Egypt, India, Russia, South Africa, Sweden, UAE.

**2020 FLOWS: ABSOLUTE VALUES AND RATES**

	INCOMING						OUTGOING					
	<30	30 - 50	>50	M	F	Total	<30	30 - 50	>50	M	F	Total
EUROPE	678	437	42	1,018	139	<b>1,157</b>	471	430	289	1,067	123	<b>1,190</b>
	29%	6%	1%	9%	8%	<b>9%</b>	20%	6%	10%	10%	7%	<b>9%</b>
NORTH AMERICA	548	324	36	838	70	<b>908</b>	542	360	20	824	98	<b>922</b>
	36%	22%	21%	31%	15%	<b>28%</b>	35%	24%	12%	30%	21%	<b>29%</b>
SOUTH AMERICA	392	291	7	603	87	<b>690</b>	348	427	109	759	125	<b>884</b>
	30%	5%	1%	8%	13%	<b>9%</b>	27%	8%	12%	11%	19%	<b>11%</b>
APAC	45	43	2	59	31	<b>90</b>	109	142	11	221	41	<b>262</b>
	6%	1%	2%	2%	4%	<b>2%</b>	15%	5%	13%	7%	5%	<b>7%</b>
RUSSIA, NORDICS & MEAI	79	87	6	122	50	<b>172</b>	141	290	168	446	153	<b>599</b>
	15%	5%	1%	6%	9%	<b>7%</b>	26%	18%	38%	22%	27%	<b>23%</b>
TOTAL	<b>1,742</b>	<b>1,182</b>	<b>93</b>	<b>2,640</b>	<b>376</b>	<b>3,017</b>	<b>1,611</b>	<b>1,649</b>	<b>597</b>	<b>3,317</b>	<b>540</b>	<b>3,858</b>
	<b>27%</b>	<b>6%</b>	<b>2%</b>	<b>10%</b>	<b>9%</b>	<b>10%</b>	<b>25%</b>	<b>9%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>

**2019 FLOWS: ABSOLUTE VALUES AND RATES**

	INCOMING						OUTGOING					
	<30	30 - 50	>50	M	F	Total	<30	30 - 50	>50	M	F	Total
EUROPE	904	656	78	1,460	178	<b>1,638</b>	698	553	254	1,328	177	<b>1,505</b>
	35%	8%	3%	13%	10%	<b>13%</b>	27%	7%	10%	12%	10%	<b>12%</b>
NORTH AMERICA	982	406	26	1,252	162	<b>1,414</b>	750	377	27	1,001	153	<b>1,154</b>
	57%	29%	25%	46%	32%	<b>44%</b>	44%	27%	26%	37%	30%	<b>36%</b>
SOUTH AMERICA	199	212	12	349	74	<b>423</b>	271	425	91	715	72	<b>787</b>
	14%	4%	2%	5%	11%	<b>5%</b>	19%	7%	12%	10%	11%	<b>10%</b>
APAC	294	303	4	522	79	<b>601</b>	235	268	12	433	82	<b>515</b>
	26%	10%	5%	16%	9%	<b>15%</b>	21%	9%	16%	13%	10%	<b>12%</b>
RUSSIA, NORDICS & MEAI	159	117	7	221	62	<b>283</b>	150	161	70	288	93	<b>381</b>
	22%	6%	1%	9%	9%	<b>9%</b>	21%	9%	14%	12%	14%	<b>13%</b>
TOTAL	<b>2,538</b>	<b>1,694</b>	<b>127</b>	<b>3,804</b>	<b>555</b>	<b>4,359</b>	<b>2,104</b>	<b>1,784</b>	<b>454</b>	<b>3,765</b>	<b>577</b>	<b>4,342</b>
	<b>33%</b>	<b>9%</b>	<b>3%</b>	<b>14%</b>	<b>12%</b>	<b>14%</b>	<b>28%</b>	<b>9%</b>	<b>11%</b>	<b>14%</b>	<b>13%</b>	<b>14%</b>

2018 FLOWS: ABSOLUTE VALUES AND RATES												
	INCOMING						OUTGOING					
	<30	30 - 50	>50	M	F	Total	<30	30 - 50	>50	M	F	Total
EUROPE	1,362	968	111	2,083	358	<b>2,441</b>	700	659	263	1,452	170	<b>1,622</b>
	51%	13%	4%	19%	20%	<b>19%</b>	26%	9%	9%	13%	10%	<b>13%</b>
NORTH AMERICA	1,221	598	29	1,648	200	<b>1,848</b>	969	473	20	1,255	207	<b>1,462</b>
	76%	47%	27%	66%	40%	<b>62%</b>	60%	37%	19%	50%	42%	<b>49%</b>
SOUTH AMERICA	565	1,249	196	1,810	200	<b>2,010</b>	414	900	231	1,360	185	<b>1,545</b>
	32%	22%	24%	24%	29%	<b>24%</b>	24%	16%	28%	18%	27%	<b>19%</b>
APAC	339	296	8	477	166	<b>643</b>	328	318	6	550	102	<b>652</b>
	24%	11%	9%	15%	19%	<b>16%</b>	23%	12%	7%	17%	12%	<b>16%</b>
RUSSIA, NORDICS & MEAI	223	137	28	327	62	<b>389</b>	234	258	194	554	133	<b>687</b>
	27%	8%	5%	13%	9%	<b>12%</b>	29%	15%	35%	23%	19%	<b>22%</b>
TOTAL	<b>3,710</b>	<b>3,248</b>	<b>372</b>	<b>6,345</b>	<b>986</b>	<b>7,331</b>	<b>2,645</b>	<b>2,608</b>	<b>714</b>	<b>5,171</b>	<b>797</b>	<b>5,968</b>
	<b>45%</b>	<b>17%</b>	<b>9%</b>	<b>24%</b>	<b>22%</b>	<b>23%</b>	<b>32%</b>	<b>14%</b>	<b>16%</b>	<b>19%</b>	<b>18%</b>	<b>19%</b>

At Pirelli there are 42 young people older than 15 and under 18 - before birthday - years old (15 in Germany, 9 in Switzerland, 3 in the UK, 12 in Brazil, 1 in China and 2 in Sweden), each for training and integration plans, in harmony with local laws.

## Diversity management

Pirelli is characterised by a multinational context where individuals manifest a great diversity, whose conscious management simultaneously creates a competitive advantage for the Company and a shared social value. Pirelli's commitment to compliance with equal opportunities and the enhancement of diversity in the workplace is expressed in the main Group Sustainability documents: the "Ethical Code" approved by the Board of Directors, the "Social Responsibility Policy for Occupational Health, Safety and Rights, Environment", the "Equal Opportunities Statement" and the "Global Human Rights" Policy.

The Policies are the subject of training on Pirelli Sustainable Management Model through the "Plunga" onboarding course.

Internationality and multiculturalism are the distinguishing features of the Group: Pirelli operates in 160 countries on five continents and 89.5% of its employees (as of 31 December 2020) work outside of Italy.

Awareness of the cultural differences that create the identity of the Company entails displaying the utmost confidence in management of local origin: 80% of Senior Managers work in their country of origin, where Senior Managers are those reporting directly to the Executive Vice Chairman and CEO, and Region CEOs and Executives with strategic responsibilities as at 31 December 2020. In order to develop the innovative and managerial potential inherent in multiculturalism and in dealings with different professional environments, the Company promotes the growth of its managers through international mobility: 53% of active Senior Managers in 2020 have in fact experienced at least one inter-company assignment during their professional experience within Pirelli Group.

Compared to the total number of employees, there were 15 new intragroup expatriates in 2020, compared to 57 new postings in 2019 and 66 departures in 2018; this decrease is mainly attributable to the health emergency faced by all global economies. Approximately a third of new postings were to major industrial countries such as Germany and China. The total expatriate population at year-end 2020 came to 114 (vs 170 in 2019 and 190 in 2018), belonging to 13 nationalities and moving to 22 different countries on five continents, of which 11% are women. 43% of the total expatriate population is made up of employees of foreign nationality.

Pirelli monitors the level of acceptance and appreciation of diversity perceived by employees within their own reality. The latest survey was conducted in 2018 throughout the Group and recorded particularly positive results regarding the perception of respect for and management of Diversity, which has been confirmed as a distinctive feature of Pirelli's corporate culture.

A functional tool for the management of equal opportunities and the prevention of risk of breach thereof is the Group Whistleblowing Procedure, through which employees and the external stakeholders can anonymously report any suspected violation. In 2020, 1 report was ascertained relating to a case that could be linked to discriminatory attitudes, on which the Company took action with the adoption of appropriate actions by the functions in question and the Human Resources Department. For further information on the reports received, please refer to the paragraph "Focus: Reporting procedure – Whistleblowing Policy".

For the composition of the corporate bodies by gender and Diversity Policies reference is made to the "Report on the Corporate Governance and Share Ownership of Pirelli & C. S.p.A.", within the present Annual Report, paragraphs "Diversity Policies", "Board of Directors - *Composition*", "Board of Statutory Auditors - *Composition*".

With regard to the subdivision of the workforce by gender, with reference to the three-year period 2018-2020, the data show a substantial stability, with a percentage of women in the total population, which stands at 14.1%. The percentage of women grew in relation to managerial positions (executives + cadres), going from 22.4% in 2019 to 24% in 2020.



**WOMEN'S INCIDENCE ON THE TOTAL WORKFORCE<sup>51</sup> BY CATEGORY**

YEAR	EXECUTIVES	CADRES	EXEC + CADRES			TOTAL
			(= Tot Manager)	WHITE COLLARS	BLUE COLLARS	
2020	10.5%	26.0%	24.0%	33.0%	10.2%	14.1%
2019	10.7%	24.1%	22.4%	33.8%	10.0%	14.3%
2018	10.1%	23.8%	22.0%	34.2%	10.0%	14.5%

Analysing the breakdown by gender in terms of employment contract, the table below shows that also in 2020, a substantial balance was maintained between men and women.

**WORKFORCE<sup>52</sup> BY GENDER AND BY TYPE OF CONTRACT**

	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>PERMANENT</b>	96.1%	97.0%	<b>96.2%</b>	97.3%	96.6%	<b>97.1%</b>	97.5%	96.4%	<b>97.3%</b>
<b>TEMPORARY</b>	3.3%	2.8%	<b>3.2%</b>	2.6%	3.1%	<b>2.7%</b>	2.4%	3.5%	<b>2.6%</b>
<b>AGENCY</b>	0.6%	0.2%	<b>0.6%</b>	0.1%	0.3%	<b>0.2%</b>	0.1%	0.1%	<b>0.1%</b>

In 2020 the number of parental leaves used by Pirelli employees corresponds to 169 for women and 741 for men.

With reference to the post-maternity/paternity return rate, Pirelli figure for the total workforce in all the countries where the company is present shows that, in 2020, out of the total number of workers who have ended parental leave, 85% of women and 90% of men have returned to the Company. Also, during 2020, one year after the maternity and paternity event (which occurred in 2019), 80% of women and 87% of men are still employed at the Company. It should be noted that the difference in the data between genders should be considered natural in light of the different socio-cultural contexts in which female workers are inserted.

In the context of gender diversity, Pirelli pays special attention to remuneration equality, constantly monitoring this issue. The countries considered in the analysis at the end of 2020 were Brazil, China, Germany, Italy, Romania, Mexico, Argentina, USA, Russia, France, Spain, UK and Turkey, representing over 3/4 of the total workforce subject to the remuneration policy (executives, cadres and employees). At a methodological level, it should be noted that the pay gaps between men and women were calculated for each Country and at the same weight of positions held, on the base of the "grade" (i.e. the weight attributed to each position on the basis of various factors) and the significance of each cluster. This valuation method allows objectivity and accuracy of the survey and evaluation: in fact, it should be noted that data calculated and/or reported only at Group level would

<sup>51</sup> These data include agency workers, corresponding to 0.1% of total workforce in 2018, 0.2% in 2019 and 0.6% in 2020.

be unable to pay due attention to the structural differences of the local markets and the logic of remuneration markets with special features not comparable with each other.

The average of pay gaps between men and women white collars recorded in these countries is equivalent to 3% in favour of women, in line with 2019, compared with 8% in 2018 also in favour of women; for the cadre category there is a substantial pay gap, which is compared with 2% in favour of men recorded in 2019 and with 3% in 2018, also in favour of men. A few examples:

- Italy, which has a difference between average remuneration for men and average remuneration for women of around 3% in favour of women for the category of employees (consistent with 2019 and compared to 2% in 2018 in favour of women); and 1% in favour of men for the category of cadres (compared to 4% in 2019 and 2% in 2018 in favour of men);
- Romania, where for the category of employees there is 4% in favour of men (consistent with 2019 and 2018) and for the category of cadre it is 8% in favour of men (as against 9% in favour of men in 2019 and 4% in favour of women in 2018);
- Brazil, where there is substantial pay parity between men and women in the category of white-collar employees (compared to 3% in favour of men in 2019 and 1% in favour of women in 2018) and 3% in favour of men in the cadre category (compared to 4% in favour of men in 2019 and substantial pay parity in 2018);
- Germany, which shows a difference between average male and average female remuneration of 2% in favour of men for the category of white-collar employees (compared to 1% in 2019 and 2% in 2018 also in favour of men) and 2% in favour of men for the category of managers (compared to 9% in 2019 and 7% in 2018 also in favour of men).

With reference to the population of managers, of which women represent 10.7%, there is an average pay gap of 6% in favour of women (in 2019 it was 5% and in 2018 it was around 3% again in favour of women).

With regard to the workers' population, all industrial countries with a significant number of observations were analysed: Brazil, China, Germany, Italy, Mexico, Romania, Russia, Spain, Switzerland, Sweden, Turkey, Argentina and UK. For each country the pay gap between men and women has been calculated. The average, weighted by the number of employees, showed a 2% difference in favour of men. Some examples:

- China presents a difference between average men's salary and average women's salary of 10% in favour of men, compared to 7% in 2019 and 9% in 2018, always in favour of men, due to the organisational roles currently filled by men;
- Brazil has a pay gap of 4% in favour of men compared to 2% in favour of men in 2019 and 6% in favour of women in 2018;
- in Italy there is a gap of 2% in favour of men, consistent with 2019, compared to 4% in 2018, in favour of men;

- in Romania there is a gap of 2% in favour of women, consistent with 2019, compared to substantial pay equity in 2018.

With regard to the standard salary of new hires during their first year of work, this is shown to be greater than the minimum levels prescribed by different local legislation and there are no differences between men and women or related to other diversity factors.

Pirelli’s inclusive culture towards different skills, as explained in the Pirelli policy on equal opportunities, is implemented by all the Group’s affiliates. Under applicable local laws, approximately 1.9% of total employees in 2020 (an increase of 0.2 pp from the figure for 2019 and 0.5 pp from the figure for 2018) have some form of disability, net of the following considerations: the percentage measurement of disabled employees in the multinational context of the company clashes with the objective difficulty of measuring their number, both because in many countries where the Group is present, there are no specific laws or regulations promoting their employment and therefore disabilities are not automatically detected, and because in many countries this information is deemed confidential and protected by privacy laws; it is therefore likely that the actual percentage of disabled persons working at Pirelli could be higher than the above figure.

With reference to the “age” factor of the company population, subdivided by professional category, it is homogeneous between genders, as can be seen from the table below.

<b>AVERAGE EMPLOYEE AGE BY CATEGORY AND GENDER</b>					
<b>2020</b>					
	<b>Executives</b>	<b>Cadres</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Group Average</b>
<b>Female</b>	50	44	38	37	38
<b>Male</b>	51	46	39	38	39
<b>Total</b>	50	45	39	38	39
<b>2019</b>					
	<b>Executives</b>	<b>Cadres</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Group Average</b>
<b>Female</b>	48	43	37	36	37
<b>Male</b>	50	45	38	37	38
<b>Total</b>	49	45	38	37	38
<b>2018</b>					
	<b>Executives</b>	<b>Cadres</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Group Average</b>
<b>Female</b>	49	44	37	36	37
<b>Male</b>	50	45	38	37	38
<b>Total</b>	50	45	38	37	38

The following table represents the average seniority of service per professional category and gender: also in 2020, there were no significant differences between men and women.

<b>AVERAGE EMPLOYEE SENIORITY OF SERVICE BY CATEGORY AND GENDER</b>					
<b>2020</b>					
	<b>Executives</b>	<b>Cadres</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Group Average</b>
<b>Female</b>	16	14	9	7	9
<b>Male</b>	17	15	10	10	10
<b>Total</b>	17	15	10	10	10
<b>2019</b>					
	<b>Executives</b>	<b>Cadres</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Group Average</b>
<b>Female</b>	14	14	9	7	8
<b>Male</b>	16	15	9	9	10
<b>Total</b>	16	15	9	9	9
<b>2018</b>					
	<b>Executives</b>	<b>Cadres</b>	<b>White collars</b>	<b>Blue collars</b>	<b>Group Average</b>
<b>Female</b>	13	13	8	6	8
<b>Male</b>	16	15	9	9	9
<b>Total</b>	15	15	9	9	9

The following procedures and activities to promote equal opportunities have been well-established for years:

- the use, as far as possible, of candidate lists with a significant presence of women in recruitment processes;
- introduction of initiatives aimed at respecting cultural and religious diversity (e.g. different and clearly marked diets in canteens, typical cuisine from cultures other than that of the host country etc.);
- “multilingual” book stores at the factories;
- welfare and work-life balance initiatives (in regard, refer to the paragraph “Welfare and initiatives in favour of the Internal Community” in this report).

## Remuneration and sustainability

The General Remuneration Policy, approved by the Board of Directors of Pirelli, establishes the principles and guidelines to which Pirelli adheres in order to determine and monitor the application of the remuneration practices relating to the Directors vested with particular delegations/offices, to the Managing Directors, to Executives with strategic responsibilities, to Senior Managers and to other Group Executives.

Specifically, the Guidelines of the remuneration for the abovementioned management figures will also cover:

- fixed and variable remuneration, both short and medium-long term (it is noted in this regard that Pirelli currently has no existing forms of remuneration through equity);
- compensation in case of termination of employment;
- clawback clauses for Top Management.

The remuneration policies adopted by Pirelli aim to ensure fair remuneration in line with the individual's contribution to the success of the Company, recognising the performance and quality of the individual's professional input.

The purpose is twofold: on the one hand to attract, retain and motivate employees, while on the other to reward and promote conduct that is as far as possible consistent with the corporate culture and values. Compensation policies and processes for Group management (intended as the overall executives) are managed by the central Human Resources and Organisation department, while for non-executive personnel they are handled on an individual Country basis, although supervised from central level.

Management in general is covered by the Annual Incentive Plan (STI), linked to the achievement of annual economic-financial objectives for the Group and/or Business Unit and/or Region and/or function, to which a sustainability objective is added, which from 2019 is linked to the value of the Group's "Green Performance Revenues<sup>52</sup>" (from 2021 renamed "Eco & Safety Performance Revenues") with a weight of 10% of the total. In line with market best practices, the incidence of the variable component (short- and medium-term) on the total remuneration of each Group Manager is very high, signifying a close correlation between remuneration and performance.

The Annual Incentive Plan (STI) provides for a deferred payment to the following year of a part (25%) of the annual incentive accrued, subject to the achievement of the following year's STI targets. The portion to be repaid is equal to the amount set aside, if the following year's objectives are achieved between entry level and target, or double the amount set aside, if these objectives are achieved at target level or above.

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<sup>52</sup> Eco & Safety Performance products identify the car tyres that Pirelli produces throughout the world and that fall under rolling resistance and wet grip classes A, B, C according to the labelling parameters set by European legislation.

During 2020, in response to the Covid-19 pandemic, the Company approved the cancellation of the short-term incentive (STI) for the year, expecting in any event to pay out 25% of the 2019 STI set aside in the first quarter of 2021.

Since 2018, following the return to the stock exchange in October 2017, all Group Executives, in line with the variable compensation mechanisms adopted at international level, have been eligible for a multi-year Incentive Plan (LTI), which is totally self-financed as the related charges are included in the Industrial Plan economic data. In 2020, a Long-Term Cash Incentive Plan was launched in line with market best practices, based on a rolling mechanism (a new three-year Incentive Plan will therefore be proposed each year), without an ON/OFF access condition and with some targets, of which, in general, at least one is market-based, one is business-based and one is sustainability-based. The 2020-2022 Plan provides for two sustainability targets: positioning in the Dow Jones Sustainability Index World and in the CDP Climate Change index, both with a weight of 10% of the total. The launch of a new three-year 2021-2023 Incentive Plan, with the same characteristics as listed above, has been confirmed.

For updates and details on the Remuneration Policy and related sustainability indicators, refer to the Governance section of Pirelli website, “Remuneration” sub-section.

## **Employer Branding**

In addition to disseminating the company principles, Employer Branding is also a valuable tool to give visibility to job opportunities aimed at recent graduates and profiles with experience, not only in the Italian market but globally. Considering the countries where Pirelli has a presence with one or more production plants, numerous events, projects and meetings were organised in 2020, where the Company promoted its own Employer Branding initiatives. These activities are carried out also thanks to the network of contacts and partnerships with important universities in the various countries.

In Italy, Pirelli actively collaborates with Polytechnic University of Milan, Polytechnic University of Turin, Bocconi University, UCSC Catholic University, University of Turin and the University of Milan-Bicocca. The latter Universities are located close to Pirelli offices and the Company has always considered them to be a benchmark for economic and engineering education of young people. With these institutions, Pirelli organises Careers Days, round tables, Job Fairs and company presentations, which in 2020 were held virtually.

Among the channels of Employer Branding used by Pirelli, the web plays an important role: on [pirelli.com](http://pirelli.com) website, the Company provides a channel dedicated to those wishing to propose their candidacy for specific open positions, as well as giving ample information on the company history, management models adopted, objectives and results achieved; targeted channels - including LinkedIn and the University portals - are also chosen by Pirelli to publish their job offers.

## Development

### Performance Management

Through the Performance Management (PM) process, Pirelli defines and evaluates the contribution of each employee in terms of results and behaviours. This is a fundamental opportunity for the development and orientation of each one in compliance with a set of predefined and critical indicators for the success of people and therefore of the Company.

A key element of the process is the transparent and open dialogue between the manager and the employee, from the phase of sharing individual objectives to that of evaluating the results achieved and the behaviours expressed.

The model currently in use was redesigned in 2018 to ensure the process was aligned with the business strategy. These are the main features:

- the process and the platform are open all year, so as to better support the continuity of dialogue between boss and employee and alignment on priorities and focus of the performance;
- the assessment model is based on two dimensions: the “what” (results) and the “how” (key behaviours);
- *key behaviours* are the same for the entire company population and are considered essential to the achievement of the company’s strategic objectives, namely: *Accountability, Teamwork and collaboration, Forward thinking, Agility, Cross-functional approach, Initiative and drive.*
- *the entire process is managed within a platform accessible from all company devices.*

As usual, in 2020, the process was accompanied by digital training resources focused on the evaluation and feedback process.

The Performance Management process involves all staff worldwide (executives, cadres and white collar employees) and in 2020 saw a redemption rate (i.e., completed 2019 assessments compared to the total eligible people) of 100% (with the redemption rate of 100% both for women and men).

The percentages of completion by level are shown below:

Executives	Cadres	White collars
100%	100%	100%

In support of the quality of the Performance assessments, Pirelli process includes the so-called *Calibration Meetings*, i.e. meetings organised by the managers of the individual functions, Business Unit and Country, with their first reporting and with the Human Resources managers of reference, during which the evaluations of the persons belonging to a specific organisational unit are put into

common use with the aim of ensuring a shared and balanced distribution of the assessments, to guarantee a process that is as coherent, homogeneous and objective as possible.

### **Talent Development**

The Talent Development process aims to ensure business continuity by supporting the identification and development of people with the potential to cover the positions of greater complexity, those who already hold strategic positions and so-called *critical know-how* (that is, people with key skills that are difficult to replace).

Completing the first mapping exercise started in 2019, the population identification activity described above continued in 2020. The current population of talent and *critical know-how* is around 600 people. As far as talent is concerned, the average seniority of the company is 7 years. The strong international character, represented by 22 nationalities, is also confirmed.

### **Training**

All Pirelli affiliates have adopted the Learning@Pirelli training model, organised, structured and equipped system to respond to “Group” needs as well as any needs that may emerge locally at any time from the various affiliates.

Pirelli training offering is based on one hand on the strategic priorities of the organisation and the different functions, and on the other on the needs that arise each year from the Performance Management process as well as the training needs arising from the socio-economic context.

In 2020, in the face of the global pandemic, a large part of the training activities focused on Health & Safety issues, in order to ensure that employees are properly informed about prevention and to guarantee a safe return to the workplace. For more information see “Health, Safety and Hygiene at Work”.

Despite the major digital transformation that in 2020 also involved the world of training, Pirelli training model confirmed the solidity of its structure, divided into four main pillars: the *Professional Academy*, the *School of Management*, *Global Activities* and *Local Education*. The first three are designed centrally and provided centrally and/or locally, while *Local Education* is fully managed and implemented in the individual Countries to meet the specific local needs.

### **Professional Academies**

Pirelli Professional Academies cater to the entire corporate population with the aim of providing continuous technical-professional training, encourage cross-functional collaboration, ensure the



exchange of expertise and know-how among countries and support the implementation of tools and procedures within the organisation.

There are ten Pirelli Academies: Product Academy, Manufacturing Academy, Commercial Academy, Quality Academy, Supply Chain Academy, Purchasing Academy, Finance and Administration Academy, Planning & Control Academy, Human Resources Academy and Digital Academy.

Sustainable Management elements are throughout the Academies, with focus for example on environmental efficiency of the process, health and safety, sustainable management of the supply chain, risk management and diversity management. The new digitalisation processes are also recurring and transversal to the Academy training model.

The faculty of the Academy is mainly composed of internal trainers, experts from the specific functions who, based on the training needs and logistical needs, provide training at central, regional and local level. The Academy model involves a significant figure from the function guiding each Academy, supported by one or more professionals from the same function and from the Group Training function, which ensures consistency in the methods of approach, delivery and evaluation of learning in addition to ensuring collaboration with the local training teams. Pirelli Professional Academy trainers are also certified through a standard process in all countries and are periodically updated on their ability to transmit know-how and skills effectively.

Each year the Professional Academies meet with both top management and local training contacts, with the objectives of strategic alignment, sharing of results achieved and definition of training priorities to be focused on in the following months.

Among the shared priorities for 2020 (already in the pre-Covid era) was the digitalisation of training, which saw a natural and inevitable acceleration during the year due to the pandemic context, leading all the Professional Academies to expand their training offerings, supplementing the traditional training delivered in 2020 in virtual mode with a portfolio of online courses to be used in “asynchronous” mode and at the times chosen by the end user.

The expansion of the digital training offering was possible thanks to what had already been defined and launched in 2019, the year in which the central Learning team defined a strategy for the gradual digitalisation of training by following two main paths. The first involves the acquisition of already available digital content, typically on cross-cutting and generalist topics, from specialist providers; the second consists of the in-house creation of e-learning courses on highly specialised Pirelli content, which is often less well covered at peripheral level. This two-pronged strategy has made it possible to create a digital library in a short period of time, the content of which can be accessed at any time by all colleagues with access to the Learning Lab platform, which has been redesigned and updated to accommodate the new online content. Among the online courses created internally, we can mention, as examples, “ABC Tyre”, “Understanding Manufacturing Control” and “Industrial Engineering”.

At the same time as they expanded their digital training offerings, in 2020 the Professional Academies continued to organise “live” courses in virtual mode, thus ensuring the possibility of

interacting with participants, guiding their understanding and learning, and managing to reach a higher number of colleagues globally more quickly. In this regard, mention should be made of the important effort made by the Manufacturing and Quality Academies which, immediately after the start of the health emergency and the contextual slowdown in production, managed to involve over 600 colleagues for about 10 hours of training per person over a period of two months, through a series of webinars on topics considered fundamental for the professional updating of the target figures.

To support the Professional Academy internal trainers, the HR Academy also renewed its training offer in 2020, providing various opportunities to update on how to conduct effective and engaging online training sessions. Globally, 245 internal trainers were involved.

### ***Pirelli School of Management***

The School of Management (SoM) is the training structure dedicated to the development of the management culture within Pirelli and its target audience covers the populations of Executives, Talents, Middle Management/Senior Professionals and Recent Graduates/Juniors.

The focus of management training is calibrated and outlined every year based on the business challenges that the Company is required to face. The training model provides for a training offering consistent with the six *Key Behaviours* identified in the global performance management system, to which a paragraph is dedicated in this report.

In addition to the classroom training activities, the School of Management also offers constantly updated online tools through the section “Insights & Updates”, a collection of articles and videos published in the bi-monthly newsletter of the same name aimed at all managers on the LearningLab international platform and the “Warming Up learning platform” dedicated to all recent graduates.

The School of Management’s training offering was also significantly expanded in 2020 with carefully selected online digital content for each of the six *Key Behaviours*, with the aim of providing Pirelli colleagues with opportunities to increase their awareness of how they can apply the key behaviours in the work context. In parallel with the expanded online training offer, as with the Professional Academies, we continued to organize virtual classes on managerial and employee management topics.

As part of the School of Management’s offer, the traditional “Plunga” onboarding course was converted to digital format for all new hires in the Pirelli Group in 2020, thus reaching a high number of participants and redesigning the course from scratch, which now includes - among the new features - a substantial section of online content to be used before the classroom.

Pirelli School of Management courses accounted for 14% of total employee training.

During 2020, the entire WarmingUp@Pirelli training course, dedicated to new graduates from across the entire Group and lasting two years, was fully digitalised to ensure those involved could safely follow the Covid-19 pandemic. The first digital delivery targeted a population of around 120

employees. It is planned to extend the training programme in its fully digital format to all countries in 2021.

### **Global Activities**

Within Global Activities are available all training campaigns launched globally and designed to promote awareness of corporate guidelines while respecting local diversity. Topics such as Privacy, Digitalisation and Information Security are the primary focus of these training activities.

In the early months of 2020 Pirelli concluded the activities of the *Digital Workplace* project in all the Group's Italian companies. The project then saw, starting in March 2020, a strong acceleration towards the other countries where the Group is present: by making the tools of the Office 365 suite available to all employees globally, a roll-out originally planned for 2021 was completed in a few weeks. This initiative enabled many colleagues around the world to continue their activities by working remotely during the Covid-19 pandemic. The virtual basic training sessions dedicated to countries (excluding Italy), with participation on a voluntary basis, reached around 900 people. The specialised training sessions, dedicated to the population of change "accelerators" (employees selected to promote the new digital tools within their departments), reached around 250 people. Over 3,400 unique users visited the training resources page dedicated to the initiative.

In the last months of 2020, a major awareness-raising campaign on Information Security issues was launched. The first focus was on phishing, one of the main cyber threats to businesses in terms of prevalence and danger. The supporting training activity included virtual sessions aimed at helping people understand the phenomenon of phishing and sharing behavioural guidelines and processes for mitigating the related risks. The initiative reached over 1000 employees in Italy. An extension of the initiative to other Group countries is planned for the first part of 2021.

In view of the new prevailing work styles and methods, in the digital space of the Learning Lab dedicated to Global Activities since March 2020, particular attention has been paid to supporting colleagues in working remotely, making available various training resources in the section entitled "*Tips For Effective Remote Working*".

### **Local Education**

The training provided at the local level responds to the specific training needs of the Pirelli affiliates operating in the different Countries and is addressed to the entire company population. The seminars cover areas of expertise ranging from the improvement of interpersonal skills to stress management, from the development of IT, language and regulatory skills at seminars on issues of welfare and diversity at the Company.

Local training is also an important tool for covering content related to the implementation of new regulations or agreements.

With regard to the Local Education Italia offer, in 2020 it was decided to include a new training course entitled “*Smart Living: training to deal with change and uncertainty*” with the aim of supporting colleagues in the delicate transition phase that characterised 2020, providing valuable moments of self-awareness, reflection and training on how to deal with change. Final objective: learning to face life’s moments of uncertainty with a positive mind-set capable of transforming critical situations into opportunities.

### ***Focus: Training on Sustainability and Corporate Governance***

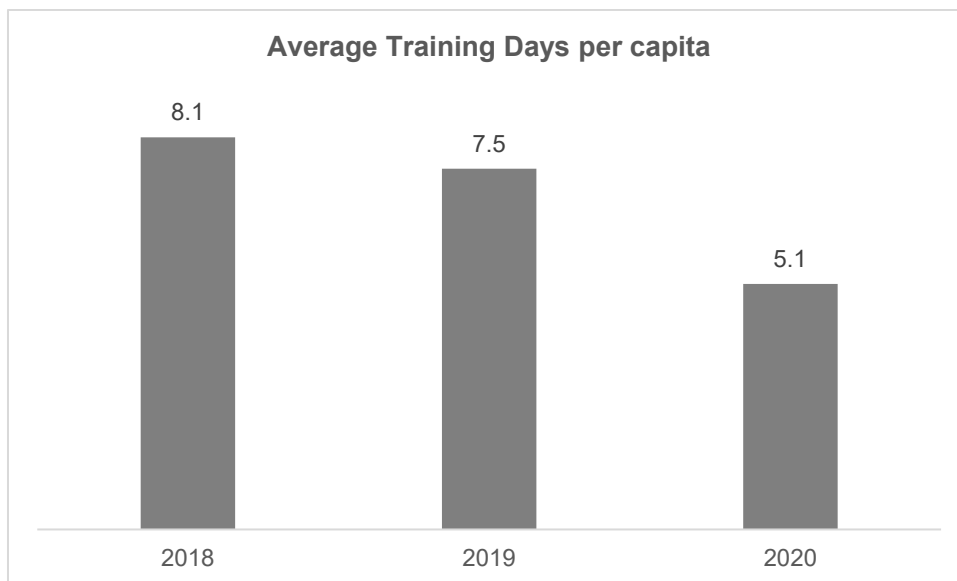
Also in 2020, training continued on Pirelli Sustainable Management Model, with update on the state of the Company’s Sustainability Plan. In addition, there is institutional training in the International Course “PLunga”, which presents the Group’s Sustainable Management strategy (including in the new virtual version) to all new employees, starting from the multi-stakeholder approach contextualized in the integrated economic, environmental and social management. Training on the Pirelli Model also draws the attention of new recruits to Group Sustainability Policies and related commitments, expressed through the “Code of Ethics”, the “Code of Conduct”, the “Equal Opportunities Statement”, the “Social Responsibility Policy for Occupational Health, Safety and Rights and Environment”, the “Health, Safety and Environment” Policy, “Global Human Rights” Policy, in addition to the requirements of the SA8000® Standard.

In line with previous years, training activities dedicated to the Sustainability Managers of Group affiliates continued; the sessions, held in digital mode, were valuable opportunities for discussion on numerous emerging sustainability topics.

Moreover, in 2020 all colleagues in the Purchasing department were involved in a training campaign on the principles of anti-corruption to be adopted in the workplace, thanks to the online course created ad hoc for Pirelli entitled “*Procurement Anticorruption: Principles & Behaviours*”.

### ***Pirelli training performance***

Total training provided in 2020 was 5.1 average training days per capita. This figure reflects the centrality of training in Pirelli’s culture, as well as its commitment to continuous investment even in emergency and difficult situations, as was the case in 2020. The production slow down has justifiably caused a partial reduction of plants in presence training activities, although safety and professional upgrades training were fully maintained. Additionally, the reduction of the average training days per capita could be linked to the new digital training methods, which by their very nature are designed with content organized in micro-modular units and with shorter duration. The countries with the highest training investment include Mexico, China and Romania, which are particularly driven by production needs and the introduction of new employees.



Following is the subdivision of average training days by gender and by professional category<sup>53</sup>:

GROUP	WOMEN		MEN	
	3.75		5.37	
5.1	EXECUTIVES	CADRES & WHITE COLLARS	BLUE COLLARS	
	0.9	2.54	5.75	

The high level of training is confirmed for both genders, with around 1.5 days more for men to be correlated with the clear prevalence of the male gender in the working population, an aspect which has thus affected the gender distribution. 81% of employees (taking into account the average workforce for the year) participated in at least one training activity during the year.

The investments made for the various categories of the company population (blue-collar workers, middle management and white-collar workers, and executives) are in line with those of previous years and balanced in proportion to the overall training strategies: the strong focus on manufacturing improvement processes (Manufacturing and Quality) in addition to the usual attention to health and safety issues, which are particularly relevant in 2020, determine the largest investments on the blue-collar worker population.

On a global level, net of the specific training needs of each country, the *Professional Academies* cover the most significant portion (25%) of the training activities on the total non-worker population, and this relates to, among other things, training and the continuous updating of technical skills linked to innovation processes, which are strategic for the company. In particular, with regard to employee

<sup>53</sup> Data at Group level and by category calculated with average headcount for 2020; data by gender calculated with actual headcount as at 31/12/2020.

training, in 2020 reskilling campaigns in the areas of Quality, Manufacturing and Sales were particularly important.

Health, Safety and Environment topics understandably gained in importance, constituting 15% of the total training provided at Group level (6 percentage points more than in 2019).

In line with the major digital transformation processes underway in the company, training processes have also been progressively involved in digitalising content relating to both basic skills and innovation, so as to allow it to be used more widely, quickly and in a more engaging way. In 2020, 49% of employee training activities were carried out in virtual mode, both synchronously and asynchronously.

### **Listening: Group opinion survey**

Pirelli uses the “My Voice” climate survey as a tool for actively listening to its employees around the world, on the basis of which it has set up group and local improvement plans.

The management of the global “My Voice” questionnaire is entrusted to a third party and the results are provided to Pirelli in aggregate form, in order to fully guarantee the anonymity of the respondents. The 2018 edition of My Voice used the Sustainable Engagement Model, showing how engaging the work environment is for workers, and whether people’s engagement is sustainable over time. More specifically, the Sustainable Engagement model is based on three dimensions such as energy, engagement and enablement, and is based on the thesis that employee engagement is sustainable over time when the work environment enables individual performance by providing the resources necessary to do their job well, when it promotes individual well-being and the ability to “go beyond” their work, and when it strengthens people’s alignment with the Company’s goals. The higher the Sustainable Engagement score, the more likely it is that people’s engagement will be sustained.

With reference to the results of the latest My Voice survey, which was administered to all Pirelli employees worldwide online, the global participation rate was over 80% (81% global rate, 82% for management and office workers and 80% for blue-collar workers). The overall result for Pirelli employees globally was 75% “Sustainable Engagement”: on a scale of 1 to 5, responses to the 6 Sustainable Engagement questions were therefore positive for 3 out of 4 colleagues worldwide.

The survey also confirmed Pirelli as a company attentive to the inclusion of diversity, with a result that is well above the market benchmarks. In addition, the sense of belonging and the pride of working for Pirelli are confirmed among the highest indices, together with the sense of responsibility (accountability) of their results. Pirelli is above the benchmark average (manufacturing companies) as well as the relative satisfaction in the area of professional development.

The areas to be monitored to ensure lasting engagement over time related to the level of information regarding company results, to “how much” the working environment allows expression of their ideas on innovation, to a sense of actualisation among personnel and their “energy level”.

During 2019-2020, Pirelli worked on defining and implementing the action plans resulting from the global survey conducted in 2018.

In addition, during 2020, characterised by the Covid-19 health emergency at the global level, the company's main effort was to keep its employees engaged through the use of customised corporate welfare proposals, to respond to the specific needs that emerged during this difficult period with new services to support the individual. First and foremost, remote work was extended to the various countries in which Pirelli operates (for positions compatible with this work method) and new rules were implemented to safeguard workers' health in the workplace. New welfare services were also introduced, delivered virtually, such as online edutainment programmes for employees' children, support for remote care givers, and virtual sessions on both traditional and digital wellbeing.

The trend already started in recent years of offering a broad and customisable corporate welfare, suitable for finding the best solutions to cover all people's new needs, has therefore been further consolidated in 2020, characterising this area as a predominant lever of engagement with workers and a tool to help them adapt constructively and effectively to a constantly changing scenario.

Structured listening activities will be activated again as soon as the emergency situation linked to Covid-19 is overcome and a "new normal" scenario is consolidated, in respect of which the new survey will be able to provide interesting insights and ideas for improvement with respect to the new way of working and living in the company.

### **Welfare and initiatives for the internal community**

For years, Pirelli has had the organisational figure of the "Group Welfare Manager", who is entrusted with the supervision of welfare activities, jointly with the many central and local functions concerned, including Health and Safety at Work, Industrial Relations and Sustainability.

The welfare initiatives that Pirelli offers to its employees vary from country to country, in accordance with the specific regulatory, social and cultural environments in which the affiliates operate. In any case, they implement the shared guidelines at Group level, so that all the offices of the world are progressively committed to locally adopting activities, tools and welfare processes aimed at creating collaborative environments and ensuring adequate support for the needs of a personal life.

Welfare activities activated at Pirelli affiliates around the world are attributable to four macro areas of action:

- health and wellbeing (e.g. health care, information and awareness-raising campaigns, specific initiatives to improve the wellbeing of employees);
- family support (e.g. scholarships, summer camps for employees' children, inter-company crèche);

- free time (e.g. open days, sporting and cultural activities, online portals of products and services with significant employee deals and discounts);
- working life and working environments (e.g. flexible working hours, facility, individual development training, cultural growth and group celebrations).

All Group affiliates have the opportunity to share local best practices through a special section dedicated to welfare on the corporate Intranet.

As an example, some of the welfare activities activated at the various local affiliates will be presented below.

Historically, Pirelli provides infirmaries at all the production units, where health workers and specialist doctors are available to all employees during working hours. These facilities provide advice on extra-work health problems, as well as first aid and periodic health surveillance activities. Outpatient clinics at Group sites were closed for long periods of time due to the global pandemic. In some countries, including Italy, the Outpatient Clinic remained active for first aid activities and for serological screening and administration of Covid-19 tests.

In addition to what has just been described, in 2020 the company put in place specific strategies to support people, ensuring both the continuity of individual and company performance and personal motivation and engagement. The lines of action to support work and reconciliation can be summarised in three main levers:

- “Safety first”: in line with our ongoing focus on health protection and safety, specific actions have been implemented, such as making all workplaces safe, delivering masks to people’s homes - where they are constrained by the generalised lockdown - when hard to find, providing periodic screening through serological tests and rapid swabs free of charge, and supporting the rapid performance of molecular swabs in critical or urgent situations;
- Remote working: remote working was extended to all employees, who were quickly provided with the appropriate digital equipment to enable them to work effectively from a remote location. Not only: the immediate introduction of remote working was accompanied by support and training actions, in digital mode, to facilitate the adoption of new digital skills and work abilities necessary in the face of the almost total virtualisation of professional relations and work performance (see the reference in the Training - Global Activities section);
- Wellbeing: the Company has launched actions to support the psychological and physical wellbeing of employees, whose lives and work activities have been revolutionised by the global health emergency.

In particular, on this last front, the following are worth mentioning, among others:

- the programmes launched in Italy, where digital courses were offered to support mental wellbeing (e.g. on positive thinking or with guided mindfulness courses) as well as to support physical wellbeing (e.g. yoga, stretching, Pilates courses). In addition, during the lockdown



months when schools are closed, edutainment weeks were organised for employees' children, with educational programmes that complemented those at school and aimed at alleviating parents' worries about care (the "Pirelli Smart Kids" project);

- the large-scale information and prevention education campaigns launched in Brazil, together with employee listening sessions on wellness issues, which resulted in targeted action plans;
- the pandemic period further confirmed the value of wellbeing as a qualifying constituent element of the relationship between people and the company, and as a generator, like other factors, of motivation and engagement, in addition to being a strategic lever for attracting and retaining people.

## Industrial relations

The Industrial Relations policy adopted by the Group is based on respect for constructive dialogue, fairness and roles. Relations and negotiations with trade unions are managed locally by each affiliate in accordance with the laws, national and/or company-level collective bargaining agreements, and the prevailing customs and practices in each country.

At this local level, these activities are supported by the central departments, which coordinate the activities and ensure that the aforementioned principles are observed throughout the Group.

Industrial Relations also have an active role in the Group's commitment in terms of health and safety, with an equally active participation on the part of the unions and workers. In fact, 79% of the Group's employees are covered by representative bodies that periodically, with the Company, monitor and address current topics as well as and awareness and intervention plans/programmes aimed the improvement of the activities carried out to safeguard the health and safety of employees.

In compliance with the principle of constructive and timely dialogue with employees, in all cases of corporate reorganisation and restructuring, workers and their representatives are informed in advance, with deadlines that vary from Country to Country in full compliance with local legislation, current collective agreements and trade union agreements.

During 2020, the Company continued with the process of organisational rationalisation at the Bollate production site and the transfer of production from Gravatai to the Campinas plant, as per the Plan communicated in 2019.

In addition, during the year, the Company worked at an international level to rebalance the level of employment, aligning it to the volume requirements resulting from the drop in the market relating to the Covid-19 pandemic. This organisational rationalisation action was managed in agreement with the trade unions, using natural turnover and the use of tools to minimise social impact, in full compliance with local legislation, collective contracts in force and trade union agreements.

Even at a time of criticality generated by market conditions in the various countries, the Company proceeded to renew the collective agreements expiring in Italy, Romania, Brazil, Argentina and Mexico, without any conflict.

### ***European Works Council (EWC)***

Pirelli European Works Council (EWC), formed in 1998, holds its ordinary meeting once a year after presentation of the Group Annual Financial Report, where it is informed about the operating performance, operating and financial forecasts, investments made and planned, research progress and other matters concerning the Group.

The agreement establishing the EWC provides for the possibility of holding other extraordinary meetings to fulfil the information requirements of delegates, in light of transnational events concerning significant changes to the corporate structure: opening, restructuring or closing of premises, important and widespread changes in work organisation. EWC delegates are provided with the IT tools they need to perform their duties and a connection to the corporate Intranet system, for the real-time communication of official Company press releases.

### ***Compliance with statutory and contractual obligations governing overtime, leave, association and negotiation, equal opportunities and non-discrimination, bans on child and forced labour***

Governance to protect Human Rights and Labour is the subject of Pirelli's Code of Ethics and specific Policies adopted by the Company, in particular the "Social Responsibility Policy for Health, Safety and Rights at Work, Environment", the "Global Human Rights" Policy, the "Equal Opportunities Statement" and the "Health, Safety and Environment" Policy. All the aforementioned Policies are public and have been communicated in the local language to employees. Moreover, from 2004 Pirelli has adopted the requirements of Standard SA8000® as a reference tool for managing Social Responsibility at its Affiliates and along the supply chain.

The Management of Diversity and Equal Opportunities, and responsible management of the supply chain in the field of human rights and labour are the subject of specific paragraphs in this Report, to which reference should be made for further details.

Pirelli approach has always promoted compliance with all legal and/or contractual requirements concerning working hours, the use of overtime and the right to regular days of rest. These requirements are often the subject of agreements with trade unions, in line with the regulatory situation in each country. The use of all holiday days, as a right of every worker, does not have any restrictions and the period is generally agreed between employee and company.

In addition to the trade union dialogue and coordination between the Headquarters and local functions, Pirelli verifies the application of the provisions on the respect of human and labour rights

to its affiliates through periodic audits performed by the Internal Audit Department, in compliance with a three-year auditing plan to cover all the Company’s sites. Normally every audit is carried out by two auditors and takes around three weeks on-site. The Internal Audit Team received training on the environmental, social, labour and business ethics elements of an audit from central function directors to enable them to carry out an effective, clear and structured audit, granting Pirelli effective control over all aspects of sustainability. Based on the results of these audits, an action plan is agreed between the local managers and central management, with precise implementation dates and responsibilities and follow-up verification. The auditors carry out verifications on the basis of a checklist of sustainability parameters deriving from the SA8000® Standard and the Pirelli Policies mentioned above. All managers from the affiliates involved in the audits are adequately trained and informed on the audit purpose and procedures by the applicable central functions, in particular Sustainability; Purchasing; Health, Safety and Environment; Industrial Relations, and Compliance.

**Focus: Internal audits**

Year	Countries
2014	Italy, United Kingdom and China
2015	Mexico, Russia (Voronezh plant) and United Kingdom
2016	Germany, Russia (Kirov plant) and United Kingdom (follow-up)
2017	Argentina, Brazil (Campinas and Feira de Santana plants), Mexico, Romania and USA
2018	France, China (Yanzhou plant)
2019	China (Jiaozuo plant), Russia (Voronezh plant) and Singapore
2020	Remote monitoring of action plans agreed in the preceding audits

During 2020, no specific on-site audits were carried out due to the ongoing pandemic emergency, hence the impossibility of travelling for on-site verification activities. However, the level of implementation of the action plans shared in the previous audits was monitored remotely by requesting specific self-declarations from the relevant managers. It should be noted that in none of the audits carried out in previous years were violations of the ILO Core Labour Standards found, with specific reference to forced labour, child labour, freedom of association and bargaining, and non-discrimination.

**Labour and social security lawsuits**

In 2020, as in previous years, the level of work and social security litigation at Group level remained low. The level of litigation remains high in Brazil, as in previous years, to the point of representing more than 80% of all the labour lawsuits currently pending against the entire Group. Labour lawsuits are extremely common in this country and depend on the peculiarities of the local culture. As such,

they affect not only Pirelli but also other multinational companies operating there. Labour lawsuits are generally initiated when an employment contract is terminated, and they usually involve the interpretation of regulatory and contractual issues that have long been controversial. The Company has made a major commitment to prevent and resolve these conflicts – to the extent possible – including through settlement procedures.

### ***Unionisation levels and industrial action***

It is impossible to measure the precise percentage of union membership at Group companies, since this information is not legitimately available in all countries where Pirelli has a presence.

However, it is estimated that more than 50% of Pirelli employees are members of a trade union. As to the percentage of workers covered by collective agreement, in 2020 it stood at 79% (vs. 78% in 2019 and 77% in 2018). This figure is associated with the historical, regulatory and cultural differences between each country. Collective agreements to be renewed in 2020 were renewed without any conflict and strikes.

### ***Supplementary pension plans, supplementary health plans and other social benefits***

The Group has defined contribution and defined benefit funds, with a substantial prevalence of the former kind over the latter. To date, the only defined benefit plans are:

- in the United Kingdom, where the fund relating to the tyre business has been closed to new employees since 2001 for the introduction of a defined contribution scheme (and closed to future accumulations for all active employees as at 1 April 2010), while the funds related to the cable business sold in 2005 were closed to future accumulations in the same year;
- in the United States, where the fund was closed in 2001 (since 2003, it has not been tied to salary increases) for the introduction of a contribution scheme (and only applies to retired employees);
- in Germany, where the fund was closed to new hires from 1982.

Other defined benefit plans exist in Holland and Sweden, but they represent a relatively insignificant liability for the Group.

The Group also maintains various supplemental Company medical benefit plans at its affiliates according to local requirements. These healthcare schemes vary from country to country in terms of allocation levels and the types of coverage provided. The plans are managed by insurance companies or funds created ad hoc, in which the Company participates by paying a fixed amount as is done in Italy, or an insurance premium as is done in Brazil and the United States. For the

economic-equity measurement of the above benefits, reference is made to the Consolidated Financial Statements, notes “Employee funds” and “Personnel Costs” within this Annual Report.

The social benefits recognised by Pirelli in favour of employees (including life insurance, invalidity/disability insurance and additional parental leave) are generally granted to all employees, regardless of the type of permanent, fixed-time or part-time contract, in compliance with company policies and local union agreements.

## Occupational Health, Safety and Hygiene

### *Management model and system*

Pirelli’s approach to responsible management of occupational health, safety and hygiene is based on the principles and commitments expressed in “The Values and Ethical Code” of the Group, in the “Health, Safety and Environment Policy” in the “Global Human Rights Policy” and in the “Quality Policy”, in accordance with the Sustainability Model envisaged by the Global Compact of the United Nations, with the “Declaration of the International Labour Organization on fundamental Principles and rights at Work” and with the “Universal Declaration of Human Rights” of the United Nations. The reference tool since 2004 is also the SA8000<sup>®</sup> standard. In particular, the “Health, Safety and Environment Policy” makes Pirelli’s commitment to:

- manage its activities regarding health and safety protection at work in compliance with the laws and all the commitments entered into, as well as according to the most qualified management international standards;
- pursue objectives of “no harm to people”, by implementing actions for early identification, assessment and prevention of risks for health and safety at work aimed at a continuous reduction in the number and severity of injuries and occupational illnesses, activating health surveillance plans in order to protect workers from specific risks associated with their business duties;
- develop and implement emergency management programmes to prevent and avoid harm to persons;
- define, monitor and communicate to its Stakeholders specific objectives of continuous improvement of health and safety at work;
- empower, train and motivate its employees to work safely involving all levels of the organisation in an ongoing programme of training and information, aimed at promoting a culture of safety at work;
- promote information and awareness-raising on health and safety issues;

- provide its employees with ongoing and concrete support aimed at facilitating the work-life balance;
- manage its supply chain responsibly by including issues of health and safety at work in the supplier selection criteria, the contractual clauses and the audit criteria, also requiring suppliers to implement a similar management model in their supply chain (for an outline on responsible management of the supply chain, reference is made to the paragraph “Our Suppliers”);
- make available to all its Stakeholders a channel (the “Whistleblowing Policy” published on Pirelli’s website) dedicated to reporting, even anonymously, of any situations that constitute or may constitute a risk for the protection of the health, safety and well-being of people (reference is made to the Paragraph “Focus: Reporting Procedure - Whistleblowing Policy” of this Report for an outline of reports received in the last three years, none of which regarding health and safety).

All the Documents mentioned above are communicated to Group employees in their local languages and are published in the Sustainability section of Pirelli website, which should be consulted for full display of the content.

At all of its production sites, Pirelli voluntarily adopts an occupational health and safety management system structured and certified according to Standard ISO 45001/OHSAS 18001:2007. All certificates are issued with ANAB international accreditation (ANSI-ASQ National Accreditation Board - US accrediting body). The occupational safety management system, applied without exclusion to all processes and activities at each production site, was developed in compliance with procedures and guidelines elaborated centrally in order to consolidate a “common language” that guarantees sharing, alignment and effective management in the Group. The development and continuous improvement of the management system is carried out both centrally and locally by the internal Health & Safety functions with the involvement of all relevant functions. Improvement is based on the continuous application of cycles of action planning, programme implementation, verification of results and, based on these, implementation of improvement.

At local level, in each individual production unit, from the perspective of involvement and participation, periodic meetings are held with workers’ representatives (Health & Safety Committee), with the aim of illustrating, on the basis of the Management System, the activities carried out and those planned and to provide the results of workplace risk assessments.

In 2020, eight production sites made the transition from OHSAS 18001:2007 certification to ISO 45001; for the remaining sites, due to the pandemic context, the transition was planned for 2021.

In 2020, the coverage of the safety management system (certified according to ISO 45001/OHSAS 18001:2007) and subject to internal and third-party audits is as follows:

COVERAGE OF THE MANAGEMENT SYSTEM	Employees	Agency workers	Contractors
Number of workers covered by the management system	24,127	167	n.d. <sup>54</sup>
Percentage of workers covered by the management system out of total number of workers	80%	98%	100% <sup>55</sup>

### Safety culture

The “Zero Accidents Objective” represents a precise and firm corporate position. From an industrial point of view, this objective is pursued through investments aimed at technical improvement of work conditions, while constantly insisting on the cultural and behavioural aspect of all Company players. This approach, together with the involvement and continuous internal dialogue between management and workers, has led over time to a sharp decline in injury rates.

To support the management model outlined above, in 2013 the Company signed an agreement with DuPont Sustainable Solutions for the global implementation of the “Excellence in Safety” Programme. The Programme began in 2014 and has gradually been extended to all the Group’s production sites. Each site sets up a Central Safety Committee made up of the heads of the functions and of which the Plant Manager is the coordinator. This Committee, which meets at least quarterly, directs the actions of the local Excellence in Safety programme and governs its progress. In a co-ordinated manner, various thematic sub-committees are also set up, which carry out continuous work in relation to the characteristic themes of the site.

In addition, internal tools were implemented to support the Excellence in Safety programme, aimed at supporting the effectiveness of the processes applied and the results obtained.

With regard to the most important areas of intervention of the “Excellence in Safety” Programme, these related to the improvement of the governance of safety, the clarity of the tasks and roles, empowering of all workers, improving communication within the organisation, the sharing of objectives, motivation with respect to a common strategy: all substantial issues for a work environment that is appropriate and stimulating, in which workers feel involved and valued in safety management. Thanks to information, communication and training actions, everyone is encouraged to report any anomaly and/or unsafe condition in order to promote participation in continuous improvement and the removal of any potential cause of an accident. All reports, as well as real or

<sup>54</sup> Figure not available.

<sup>55</sup> This value is possible because the hours worked by employees of contractors at Pirelli sites refer exclusively to sites with a certified safety management system. Contractors working in offices are excluded from the calculation because their number is negligible compared to contractors working at production sites.

potential accidents, are managed according to specific procedures aimed at analysing the causes and defining corrective and risk mitigation actions, involving all functions.

The dissemination and sharing of the Safety Culture is also supported by the regular newsletters like the *Safety Bulletin*, and the sharing of significant events through the traditional channels of internal communication.

### ***Risk prevention, protection and management***

Specific procedures for managing all risk issues are developed in accordance with international standards and reference norms that are applied and translated at each site, integrating compliance with local regulations. The procedures, also developed with the collaboration of the relevant functions, systematically define the requirements for risk analysis, risk management methods and design requirements to ensure that hazards are reduced at source. The risk analysis activity leads to the definition of risk reduction programmes and actions pursued at each site and kept under control by specific site committees. In addition, processes of preventive analysis and release on new projects are applied in order to ensure risk management in all phases of development and implementation of new machines and plants. These approaches make it possible to implement risk elimination and reduction logics in priority to the mitigation and containment strategies implemented. The procedures are reviewed and updated in the event of regulatory changes, technological or process changes and following the analysis of incidents.

Risk management related to commercial supplies of raw materials, services and equipment is governed by safety and acceptability requirements included in the general conditions of supply. All chemical substances and products used are subject to prior HSE assessment (see section “ESG elements in the purchasing process” of this Report) and all equipment is subject to conformity analysis and risk assessment before being put into production. Safety management in supplier activities on sites is regulated by procedures specifying coordination requirements, prior risk analysis and work authorisation.

The year 2020, characterised by the Covid-19 pandemic, saw a particular focus of Health & Safety activities on managing prevention measures, protecting the health of personnel and ensuring safety conditions at all Pirelli sites. To manage the risk of Covid-19 infection, risk analysis procedures and action plans were developed to ensure the health of workers and safe and secure work environments.

All Pirelli production sites are served by occupational medicine facilities that employees can access freely and which are managed by specialised medical and/or paramedical personnel with independent management (guaranteeing privacy) of the doctor-patient relationship. These services operate in coordination with the safety management functions and with company management to provide the necessary support for general risk prevention actions and guarantee the necessary health surveillance to protect workers. These services do not only focus on occupational medicine but also offer health care to all staff in compliance with local regulations. As for 2020, they focused



on supporting employees in the particular pandemic context due to Covid-19, providing medical support and assistance (also outside the workplace) in health cases that occurred and with particular attention to employees with particular physical frailties.

### **Safety training**

Around 15% of the total training provided by Pirelli in 2020 concerned occupational health and safety issues. Each site designs, plans and delivers safety training on the specific risks present, the particular need to update and comply with regulatory obligations, trends in accident indicators and the evolution of site activities and processes. The characteristic themes of this training concern general safety concepts including obligations, responsibilities and protection concepts, the treatment of all work-related risks present at the site, safety operating procedures, golden rules, emergency procedures, the Excellence in Safety programme mentioned above and the application of its operating tools, accident notification and management procedures, and safety procedures and standards for managing emergencies from Covid-19.

In addition to safety training offered locally at every Pirelli location (illustrated previously in the paragraph dedicated to Training), there are Group activities and projects, which simultaneously target several countries and which allow an alignment of culture and vision, fully benefiting pursuit of the Company's own improvement targets. The Manufacturing Academy merits a special mention. This is Pirelli Professional Academy dedicated to the sphere of factories, where health, safety and environment issues are discussed in detail.

### **Monitoring of health and safety performance and main indicators**

Alongside establishing specific guidelines and procedures for implementing management systems, Pirelli uses the web-based Health, Safety and Environment Data Management (HSE-DM) system, prepared and managed centrally by the Health, Safety and Environment Department. This system makes it possible to monitor HSE performance and prepare numerous types of reports as necessary for management or operating purposes.

The HSE-DM system collects all information on accidents and special situations that occurred in factories, fitting units, sales centres, and warehouses managed directly by Pirelli, including the various categories of workers (agency workers and contractors operating at Pirelli sites). All sites have access to information on the most significant accidents or near misses through the receipt of Safety Alerts by the HSE-DM system, so that an internal analysis can be conducted to verify whether similar conditions exist and, if necessary, to implement appropriate corrective action.

The performances reported below are for the three-year period 2018-2020 and cover the same scope of the Group's consolidation.

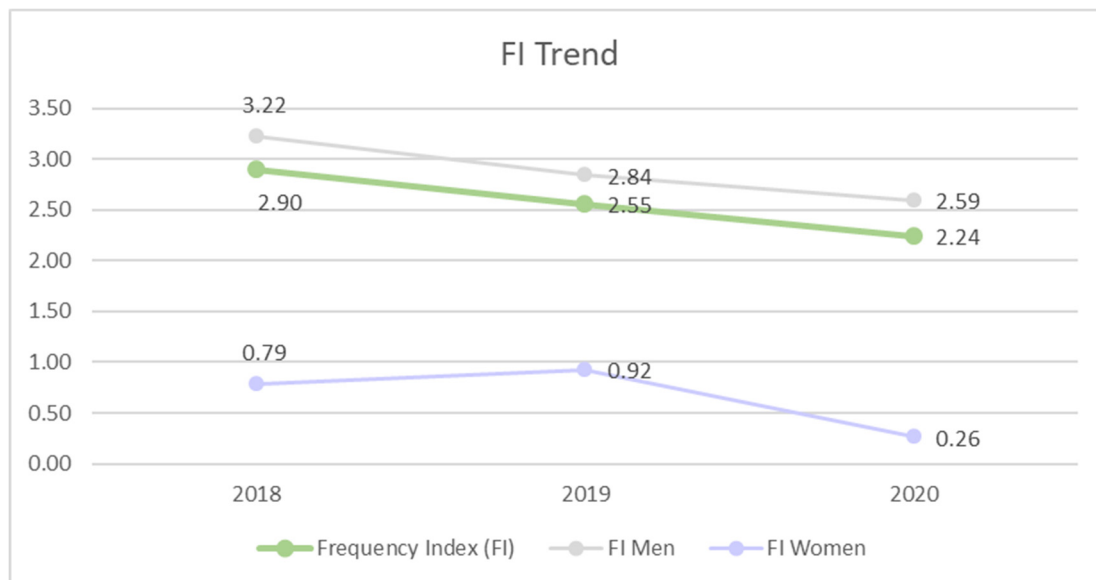
In February 2020 Pirelli presented its 2020-2022 Industrial Plan with Vision 2025 indicating, for 2022, an accident frequency index  $\leq 0.15$  for 100,000 worked hours (or IF  $\leq 1.50$  for 1,000,000 worked hours <sup>56</sup>) and for 2025 an accident frequency index  $\leq 0.10$  for 100,000 hours worked (or IF  $\leq 1.00$  for 1,000,000 worked hours).

In 2020, Pirelli registered an accident **Frequency Index (FI)** of 0.22, when referring to 100,000 worked hours, or 2.24 if referred to 1,000,000 worked hours. The most representative accidents are those involving contusions, cuts, fractures and sprains.

The accident frequency index for accidents involving an absence from work of more than 6 months in 2020 is 0.10 for Pirelli employees (based on 1,000,000 worked hours) and zero for temporary workers.

In the mapping of all hazards and on the basis of the accident trend, the main hazard identified as potentially at risk of accidents with serious consequences relates to the mechanical risk, which was the main contributor to the accidents that occurred in 2020. Actions are constantly underway to reduce the mechanical risk at source, through investment in machinery safety, and to manage residual risks by defining safety operating procedures and continuous staff training.

For 2020, in line with the previous financial years, the injury rate index for women was decidedly lower than the value relating to men, also in relation to the fact that the female population is generally engaged in activities with a lower risk than those of the male population. The graph below shows the trend of FI values by gender over the last three years:



FI = number of injuries/number of hours effectively worked x 1,000,000

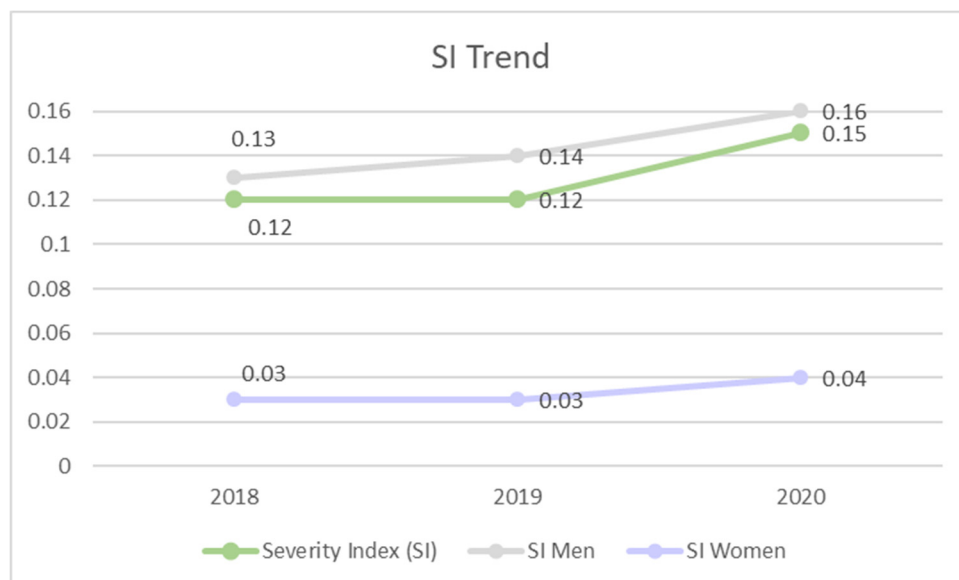
<sup>56</sup> In accordance with the new GRI reporting standards, the frequency index and the resulting target value is reported with reference to 1,000,000 hours worked.

The following table summarises the distribution of the Frequency Index by geographical area:

FREQUENCY INDEX	Europe	North America	South America	Russia, Nordics & MEAI	Asia Pacific
2018	4.71	2.04	3.10	0.34	0.21
2019	3.34	1.65	3.46	1.47	0.22
2020	3.18	2.04	2.69	1.31	0.11

FI = number of injuries/number of hours effectively worked x 1,000,000

The injury **Severity Index (SI)** in the Group in 2020 was 0.15, with a slight increase over the previous year and affected by a reduction in hours worked due to the global situation resulting from the Covid-19 pandemic.



SI = number of days of absence, starting from the first day after the accident/number of hours effectively worked x 1,000

The following table summarises the distribution of the Severity Index by geographical area:

SEVERITY INDEX	Europe	North America	South America	Russia, Nordics & MEAI	Asia Pacific
2018	0.18	0.16	0.11	0.03	0.01
2019	0.13	0.07	0.19	0.11	0.01
2020	0.20	0.11	0.20	0.09	0.00

SI = number of days of absence, starting from the first day after the accident/number of hours effectively worked x 1,000

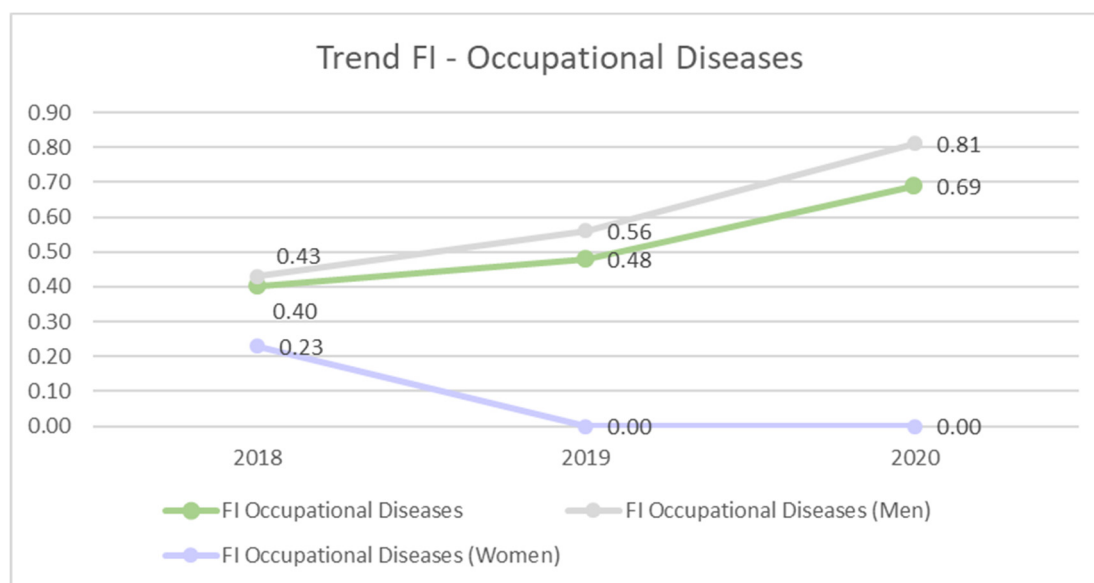
With reference to commuting accidents (not included in the calculation of the FI and SI indices mentioned above), the following tables show the total number registered by the Group in the last three years and the distribution by geographical area of the cases.

COMMUTING ACCIDENTS	2018	2019	2020
	119	117	52

COMMUTING ACCIDENTS	Europe	North America	South America	Russia, Nordics & MEAI	Asia Pacific
2018	28	42	49	0	0
2019	35	43	39	0	0
2020	15	3	34	0	0

There are no activities with a high incidence of occupational diseases. The hazards identified as a potential source of occupational disease determined on the basis of risk assessments conducted concern the manual handling of loads, exposure to noise and the handling of chemicals. The main types of occupational diseases recorded in Pirelli employees relate to musculoskeletal disorders and hearing loss. There are no known cases of death due to occupational diseases in the last three years, nor are there any cases of occupational diseases recorded in contractors.

The Frequency Index for occupational diseases in 2020 stands at 0.69.



*FI = number of occupational illnesses/number of hours effectively worked x 100,000,000*

The following table summarises the distribution by geographical area of the Frequency Index for occupational diseases:

FI OCCUPATIONAL DISEASES	Europe	North America	South America	Russia, Nordics & MEAI	Asia Pacific
2018	0.31	0	1.01	0	0
2019	0.22	0	1.45	0	0
2020	0.26	0	2.23	0	0.11

Continuous improvement programmes are aimed, with reference to the sources of occupational disease, at increasing the ability to identify ergonomic risk and consequent technological improvement, favouring where possible automation and design integrated with the ergonomic requirements of machines. These actions aimed at reducing the risk at source are in any case complemented by training and organisational measures to encourage safety and prevention behaviour.

With regard to accidents of agency workers, the following tables show the number of accidents recorded in the last three years and the distribution of the accident frequency index of 2020<sup>57</sup> by gender and, subsequently, by geographical area:

ACCIDENTS OF AGENCY WORKERS	2018	2019	2020
Number	8	5	3
FI agency workers - Men	10.16	5.46	2.96
FI agency workers - Women	0.00	4.38	0.00

FI = number of occupational illnesses/number of hours effectively worked x 100,000,000

ACCIDENTS OF AGENCY WORKERS	Europe	North America	South America	Russia, Nordics & MEAI	Asia Pacific
2018	8	0	0	0	0
2019	3	2	0	0	0
2020	0	2	1	0	0
FI agency workers 2018	163.76	0.00	0.00	0.00	0.00
FI agency workers 2019	59.98	48.00	0.00	0.00	0.00
FI agency workers 2020	0	46.70	1.11	0.00	0.00

FI = number of occupational illnesses/number of hours effectively worked x 100,000,000

<sup>57</sup> Calculated per 1,000,000 hours worked.

The Accident Frequency Index for employees of suppliers operating at the Group’s production sites<sup>58</sup> stands at 1.30 in 2020. Below are the data for the last three years and the distribution by geographical area of the cases.

<b>FI CONTRACTORS</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	1.77	1.28	1.30

*FI = number of injuries/number of hours effectively worked x 1,000,000*

<b>FI CONTRACTORS</b>	<b>Europe</b>	<b>North America</b>	<b>South America</b>	<b>Russia, Nordics &amp; MEAI</b>	<b>Asia Pacific</b>
<b>2018</b>	0.91	1.11	2.75	3.50	0.00
<b>2019</b>	1.95	0.93	0.82	1.04	0.00
<b>2020</b>	1.77	1.58	1.67	0.00	0.00

Below are the figures relating to fatal accidents recorded in the last three years with reference to Pirelli employees, agency workers and employees of suppliers operating at Group production sites.

<b>FATAL ACCIDENTS</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Pirelli employees</b>	0	1	0
<b>Agency workers</b>	0	0	0
<b>Contractors</b>	0	0	0

In the last three years, no fatalities have been recorded among the contractors working at Pirelli’s production sites. As far as Pirelli’s employees are concerned, one event was recorded in 2019, involving an employee working in the Russian plant of Kirov.

<sup>58</sup> The figure covers all the Group’s production sites, with the exception of the Izmit site for the relative non-significant dimensions.

**Focus: towards the “Zero Accident Objective”**

18 Pirelli manufacturing plants were named “sites of excellence” in 2019, since no employees were injured there during the year:

Unit	Industrial sites
Plants	Jiaozuo, Bollate, Burton MIRS, Slatina Motorsport
Fitting unit	Camacari, Sorocaba, Hurlingham, Goiana, Didcot, Ibirite, Sao Jose dos Pinhais
Logistics - TLM	TLM Barueri, TLM Santo Andre, TLM Cabreuva, TLM Feira de Santana, TLM Gravatai
Other	St. André HQ, Elias Fausto HQ

**Health and safety investments**

In the three-year period 2018-2020, investments in health and safety by the Group exceeded €37 million, of which over €4.7 million was invested in 2020.

The investments made targeted improvements on machines and plants and, more in general, the workplace environment as a whole (including improvement of microclimate and lighting conditions, changes in layout for ergonomic improvement of activities, measures to protect the healthiness of the infrastructure).

## EXTERNAL COMMUNITY

### **Institutional relations for Pirelli Group**

Pirelli's institutional relations are underpinned by criteria of maximum transparency, legitimisation and responsibility, both with regard to information disseminated in public offices, and to relationships managed with institutional interlocutors in line with the Ethical Code, the *Institutional Relations - Corporate Lobbying Policy* and the *Group Anti-Corruption Compliance Programme* (documents published on Pirelli website) as well as in line with the principles of the *International Corporate Governance Network (ICGN)* and in compliance with the laws and regulations in force in the countries where Pirelli operates.

The goal of the Institutional Affairs Department is to create corporate value through the management of structured relations with reference stakeholders in all countries where Pirelli operates.

In the area of institutional relations, Pirelli acts above all via active monitoring and in-depth analysis of the institutional and legislative context, as well as identifying the applicable Stakeholders. The activity of Institutional Affairs also includes an in-depth analysis of the global political and economic dynamics, linked to the development of the main topics of corporate interest, and benefits from collaborations with selected think tanks of international prestige. Among these are the collaborations with the Institute for International Policy Studies, the Institute for International Affairs, the Trilateral Commission and the Aspen Institute.

**At an international level**, Pirelli interacts with the main interlocutors present in the countries in which it operates with its own production sites. When necessary, the Group promotes initiatives directed towards mutual understanding and with the purpose of promoting representation of its own values and interests through a strategy based on a clear perception of the industrial targets and the development of the business. Among the various instruments of "economic diplomacy", in addition to the promotion of bilateral initiatives, Pirelli is active in certain Business Forums, including the Italo-Russian Committee for Economic Cooperation (CIIR), of which it has held the Co-Chairmanship since 2020, the China Business Forum (BFIC), the Council for Relations between Italy and the United States, the Italy Mexico Business Forum and the Italy Thailand Business Forum.

As proof of the Group's continued commitment to strengthening relations with the countries in which it operates, Pirelli took part in official visits in 2020 with institutional representatives in Italy and abroad. In a context marked by the Covid-19 health emergency, a series of bilateral meetings were held, both virtual and in-person where possible, aimed at deepening the Group's industrial and commercial issues with significant institutional impacts. These included meetings with several representatives of the EU, USMCA, APAC and CSI blocs.

In China, the Group is committed to enhancing relations with local institutional interlocutors, particularly in areas where it is present with industrial sites, such as the Shandong Province and the Henan Province. During 2020 Pirelli maintained a dialogue with the main local institutions on multiple areas of interest, especially with a view to improving the quality and efficiency of the tyre industry in Shandong, with particular regard to safety and environmental dynamics. In the wake of the Covid-



19 health emergency, the Group committed itself immediately and in liaison with local institutions, with the primary objective of protecting the health of its employees and the community in which it operates. During 2020, Pirelli also strengthened its dialogue with major local institutions on multiple areas of interest, particularly on sustainability issues, thus contributing to the recognition of the Pirelli plant in Yanzhou as a “National Green Factory” by China’s Ministry of Industry and Information Technology. Also in 2020, the Yanzhou factory was certified as a Level A enterprise, which relieves the factory from having to suspend and limit production in the event of highly polluting weather conditions, ensuring that the factory can take measures to reduce polluting emissions independently.

In the United States, Pirelli is present with industrial and commercial activities, and carries out institutional relations by monitoring legislative and regulatory developments with impacts on the production, import and distribution of tyres in the territory. Pirelli is a member of the following trade associations: United States Tire Manufacturers Association (USTMA), Original Equipment Suppliers Association (OESA), American Sustainable Business Council (ASBC), Public Affairs Council, and Automotive Industry Action Group (AIAG). Within these associations Pirelli is active in promoting strategies consistent with Group sustainability policies, particularly commitments against climate change and in favour of social responsibility in the supply chain. In particular, Pirelli sits on the USTMA Sustainability Task Force, the AIAG Corporate Responsibility Steering Committee, the CSR Network of the Public Affairs Council and the SASB Standards Advisory Group. Consistent with Group policies, it does not participate in any political action committees in the United States and more generally does not contribute to election campaigns. Pirelli undertakes to check from time to time that the sustainability positions of the associations of which it is a member are consistent with Group positions.

Also in Brazil, Pirelli continued to celebrate the country’s strong links with Italy, promoting, among others, meetings with institutional representatives at federal and central level. Pirelli also maintains relations with local institutions and associations to protect its industrial sites, distributed among the states of Sao Paulo, Bahia and Rio Grande do Sul. In these states, a series of initiatives are also developed to raise awareness on issues such as urban mobility, road safety, the protection of the territory and social and cultural promotion. In the wake of the Covid-19 health emergency, Pirelli made an immediate commitment, in conjunction with local institutions, to the primary objective of protecting the health of its employees and the communities in which it operates. In Brazil, Pirelli is associated with and holds the chairmanship of the Board of ANIP (National Association of the Tyre Industry) with the objective of developing its identity and promoting the interests of the sector in institutional dealings with local governments. The Group is also associated with Reciclanip, which is active in the management of end-of-life tyres. Pirelli has recently taken up the vice-presidency of the Italian-Brazilian Chamber of Commerce, Industry and Agriculture (ITALCAM).

In the European context, one significant activity concerns Romania, in which Pirelli maintains a constant dialogue with the main institutional interlocutors in order to accompany the phases of industrial development at the Slatina plant. Relations with the United Kingdom were particularly important, also in view of the Trade and Cooperation Agreement between the United Kingdom and the European Union signed in December 2020.

As part of its relations with Turkey, the Group promotes a constant dialogue with the country's institutional representatives to accompany industrial activities and keep the monitoring of the country's economic and political environment alive.

In Russia, Pirelli promotes dialogue with institutional interlocutors in order to support the Group's industrial and commercial activities in the country. In 2020, Pirelli was appointed Co-Chairman of the Italian-Russian Business Committee (CIIR) for Economic Cooperation. Pirelli then participated in the restricted version of the CIRCEIF held in Moscow.

Relations with European institutions are focused on consolidating relations with institutional counterparts and stakeholders of reference, monitoring legislation and constantly representing the Group in associations. The ongoing dialogue and discussion with representatives of the European Commission, the Council and the European Parliament covers a wide range of topics of interest to the company. In 2020, the activity focused on regulatory and policy developments relating to industrial policy, research and innovation, energy and environmental policies, the circular economy, transport and mobility, technical regulations, the internal market and consumers, international trade and bilateral agreements. Of particular interest was the implementation of policies related to the Green Deal, the European plan on the new strategy for sustainable growth launched by the European Commission at the end of 2019, and, in the legislative sphere, the finalisation of the revision of the Regulation on tyre labelling. The monitoring activity also covered the initiatives taken at European and country level to combat the pandemic crisis and for European recovery, as well as the negotiations on the new long-term budget of the European Union. In the various stages of drafting and defining European legislation, Pirelli represents the Group's interests among its European Stakeholders. Pirelli is listed on the European Transparency Register, established by an inter-institutional agreement between the European Parliament and the European Commission.

In **Italy**, the Group continues to interact with a system of relations that involve the main institutional bodies, both at central and local level. The relations with the Ministry of Foreign Affairs and International Cooperation are particularly important in both central and peripheral areas, with which the information activity is constant with respect to Pirelli's global presence to support the enhancement of the interests of the Country system abroad. The Group's relations with the Italian Presidency, the Presidency of the Council, the Ministry of Economic Development, the Ministry of Economics and Finance and the Regions of Lombardy and Piedmont.

In 2020, at the beginning of the pandemic, in the moment of emergency caused by the shortage of medical equipment and devices, Pirelli intervened to support the Lombardy regional health system with a donation of 65 devices for assisted ventilation in intensive care, 5,000 suits for medical use and 20,000 masks. Italian employees also made a direct contribution by donating the equivalent of more than 7,000 working hours to the Sacco hospital in Milan through the project "*Insieme per l'Italia, insieme per la ricerca*". This donation, doubled by the Company, led to a total donation of €440,000.

During the year, as part of the State Visit of the President of the Federal Republic of Germany to Italy, Pirelli hosted the President of the Italian Republic and the German President, as well as other high-level officials from the State and the diplomatic network of Italy and Germany, at Pirelli

HangarBicocca™, where they took part in the Study Panel “La Rinascita al tempo del Covid” (“Resurgence in the Time of Covid”).

In Italy, the Group is also always engaged in customary in-depth analysis of institutional importance concerning, in particular, issues relating to the Group’s industrial presence; the promotion and strengthening of international relations in the countries where the Group operates with industrial sites; the analysis and in-depth study of the impacts related to the regulatory discipline of tyres and their entire life cycle; and other issues of road safety and environmental sustainability related to both production processes and the product. During the year, Pirelli also supported various initiatives to raise awareness of road safety issues and to promote culture.

### **Main international commitments for sustainability**

The attention of Pirelli to sustainability is also expressed through participation in numerous projects and programmes promoted by international organisations and institutions in the area of social responsibility. A number of the principal commitments made by Pirelli worldwide are illustrated as follows.

#### ***UN Global Compact***

Pirelli has been an active member of the Global Compact since 2004 and since 2011 has been part of the Global Compact Lead Companies. The Group endorses the “*Blueprint for Corporate Sustainability Leadership*”, which offers leadership guidelines envisaged in the Global Compact to inspire advanced and innovative sustainability performance in terms of management capacity for the creation of sustainable value.

Since December 2019 Pirelli has also been on the Board of the Global Compact Network Italia.

In 2020, the Global Compact proposed a series of initiatives to provide support in the definition of strategies and partnerships for the pursuit of Sustainable Development Goals (SDGs) launched in September 2015 in New York with the aim of accompanying the activities of sustainable companies until 2030.

In this context, Pirelli participates to two action platforms:

- “*Decent Work in Global Supply Chain*”<sup>4</sup>: in December 2018 Pirelli and the other participating companies signed the “*Commitment to Action*”, publicly committing themselves to the sustainable management of their supply chains; as a result of the activities carried out by the working group in 2019, in February 2020 the digital platform “*Decent Work Toolkit for Sustainable Procurement*” was published, a tool aimed at supporting companies in integrating sustainability into the procurement process; during 2020 the group worked on

several publications including the “*Leadership Brief Navigating Multi-tiered Supply Chains*” and “*Family-Friendly Workplaces*”.

- “*Sustainable Finance*”: in September 2018 the working group presented its first publication “*SDGs Bonds & Corporate Finance - A Roadmap to Mainstream Investments*”; to this, several other publications on the subject were added during 2019. In December 2019 the platform launched the “*CFO Taskforce for the SDGs*”, which Pirelli joined as a Founding Member. The Taskforce is a collaborative platform that brings together leaders from different sectors and aims to develop innovative strategies for mobilizing finance towards sustainable development. In September 2020, the taskforce published the “*CFO Principles on Integrated SDG investments and finance*”, which aim to support the alignment of finance and investment practices with the SDGs through the implementation of best practices.

Since 2014, Pirelli has been a Founding Participant of the SSE Corporate Working Group, the group of companies that provide their own evaluations and indications as part of the Sustainable Stock Exchanges (SSE) initiative promoted by UNPRI, United Nations Conference on Trade and Development, United Nations Environment Programme Finance initiative and the UN Global Compact. The initiative aims to increase the attention of world stock markets, investors, regulators and companies to the sustainable performance of companies.

Once again in 2020 Pirelli was recognised - the only one in the tyre sector worldwide - as part of the United Nations Global Compact Lead, which brings together the companies which have been identified as most committed at the global level to implementing the Ten Principles of the United Nations Global Compact as well as advancing global sustainability goals.

### ***ETRMA – European Tyre and Rubber Manufacturers Association***

ETRMA is the main partner of the EU institutions for the sustainable development of new European policies for the sector and for their proper implementation. With the institutional support of the Pirelli Group, in 2020, the association continued to raise awareness of the European Commission and European Union Member Countries on the implementation of market surveillance for monitoring compliance with regulations on the general safety of vehicles and tyres and on energy efficiency, as well as the labelling of tyres in European Countries, and through the strengthening of the partnership with the national associations of the sector of which Pirelli is an active member.

During 2020 and in the face of the Covid-19 emergency, ETRMA developed a position paper calling for a “policy response” to the European institutions “*that both ensures a successful post-Covid-19 recovery and drives the European Green Deal targets*”. This action plan consisting of 25 key actions for a forward-looking restart of the sector and the economy at large, listing tangible policy recommendations for a successful emergence from the Covid-19 crisis, was proposed and issued jointly by the four associations representing the automotive sector, equipment and tyre suppliers, vehicle manufacturers, dealers and garages (ACEA, CECRA, CLEPA and ETRMA). The aim of this plan is to contribute to a policy response to Covid-19 that ensures public health, minimises the impact

on the economy and keeps the focus on the overarching goals of our time: a digital, inclusive and carbon neutral society.

In 2020, with the support of Pirelli, the *Connected & Autonomous Driving* (CAD) group continued its intense work to respond to the new technological challenges affecting the mobility sector (connectivity, autonomous driving, cyber security, etc.) and their impact on tyres, with a particular focus on the methods for managing and exchanging data between the various players in the system.

The association ETRMA continues to work alongside the European Commission in defining policies on the Circular Economy with an impact on the sector and continues successfully to promote sustainable practices of producer responsibility for the management of tyres at the end of their life, thanks to which Europe maintains a recovery rate of over 90%, through strong collaboration with the various management consortia present in European countries. ETRMA's (and European) best practices in fact continue to be an international benchmark.

ETRMA maintains a proactive role in the development of cognitive studies regarding environmental issues, e.g. Tyre Road Wear Particles (TRWPs), micrometric particles produced by combined road and tyre wear during vehicle circulation, and health issues, e.g. granulated filler material obtained from end-of-life tyres for sports fields. With regard to TRWPs, ETRMA launched in 2018, with the support of CSR Europe, the *“European TRWP Platform”*, a multi-stakeholder initiative aimed at sharing scientific knowledge and engaging relevant Sectors and Organisations to define possible actions to mitigate the impacts of TRWPs. In 2019, the *“European TRWP Platform”* published the State of Knowledge (*“Scientific Report on Tyre and Road Wear Particles, TRWP, in the aquatic environment”*) and possible mitigation actions that can be taken by the various stakeholders about TRWPs (*“The Way Forward Report”*). A micro-site was also created<sup>59</sup> to provide information on TRWPs to the general public from root causes to the definition/implementation of mitigation actions, highlighting the multi-stakeholder nature of the phenomenon. The platform's activities continued in 2020 both in terms of dialogue between the various stakeholders and to support the implementation of pilot mitigation projects. During the year, a database of scientific studies related to TRWP generation and mitigation was also created and continuously fed with data by Platform members. Finally, the activities and results of the European TRWP Platform were presented in May 2020 at the OECD Workshop on *“Microplastics from Tyre Wear: Knowledge, Mitigation Measures, and Policy Options”*, where the need for joint action by all stakeholders impacting the phenomenon was recalled.

A section in the Environmental Dimension chapter of this Report is also dedicated to TRWP, to which reference should be made for further details.

### **WBCSD – World Business Council for Sustainable Development**

Pirelli for years has been a member of the WBCSD (World Business Council for Sustainable Development). This is a Geneva-based association of about 200 multinational companies based in

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<sup>59</sup> <https://www.tyreandroadwear.com/>.

over 30 countries that have made a voluntary commitment to link economic growth to sustainable development. In particular, Pirelli endorses three projects: Tire Industry Project, Transforming Urban Mobility and Future of Work.

The Tire Industry Project (TIP), whose members account for approximately 65% of global production capacity of tyres, was founded in 2005 with the aim of meeting and anticipating the challenges related to the potential impacts on health and the environment of tyres throughout their life cycle. The project extends its evaluation activities to raw materials, TRWP (with research activities that have seen the completion of monitoring the impact of TRWP on air quality in the city of New Delhi, India) and nanomaterials. On the latter issue, in collaboration with the OECD (Organisation for Economic Cooperation and Development), TIP has developed a sector-specific guide<sup>60</sup> containing best practices of reference for the research, development and industrialisation of new nano-materials so as to ensure that the use of any nano-material is safe for people and the environment.

TIP's collaboration with the OECD on the topic of nanomaterials has therefore continued through active support of the preparation of the guide "*Moving Towards a Safe(r) Innovation Approach (SIA) for More Sustainable Nanomaterials and Nano-enabled Products*"<sup>61</sup> (published on 22 December 2020). The new guide has, among other aims, that of helping the industry - not only the tyre industry - to implement a "*Safe(r) Innovation Approach for nanomaterials and nano-enabled products*", as well as including issues related to regulatory and "governance" strategies. TIP contributed with a specific annex (Annex 1) describing the case-study of the Tyre Industry, approaching the topic in line with the previous OECD sector specification on tyres and nanotechnologies, and sharing the experience of TIP research according to a whole life cycle approach.

During 2020, TIP has also finalised the development of "*product category rules*" (PCR), published in 2018, necessary to carry out the *life cycle assessments (LCAs)* of the product, as well as to develop the "*environmental product declarations (EPDs)*" for tyres, so that the results are comparable between the various manufacturers. With reference to the aggregated sector environmental reports, TIP has published the "*Environmental Key Performance Indicators for Tire Manufacturing 2009-2019*" which presents the environmental performance related to CO<sub>2</sub> emissions, energy consumption, water withdrawal and ISO 14001 certification of the environmental management systems of the factories where the members of TIP produce the tyres.

Also in 2020, TIP has continued its activities aimed at the international promotion of best practices on end-of-life tyre management, in terms of valorisation of recovery and reuse as a second raw material. These activities represent the natural consequence of the analysis presented in the report "*Global ELT Management - A global state of knowledge on regulation, management systems, impacts of recovery and technologies*" was published, a document that presents the current state of end-of-life tyre management in 45 countries, together with an analysis of regulations, management systems and recovery methods.

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<sup>60</sup> <http://www.oecd.org/chemicalsafety/nanosafety/nanotechnology-and-tyres-9789264209152-en.htm>.

<sup>61</sup> [www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=env/jm/mono\(2020\)36/REV1&doclanguage=en](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=env/jm/mono(2020)36/REV1&doclanguage=en).

Important international stakeholders and TIP launched in October 2018 the “*Global Platform for Sustainable Natural Rubber*” (GPSNR), a voluntary multi-stakeholder platform aimed at promoting a more sustainable management of the natural rubber value chain, both in socioeconomic and environmental aspects. The first general meeting of the platform was held in March 2019. Pirelli is a founding member and actively contributes to the platform’s activities by co-chairing two of the working groups: the first dedicated to the representation of small landowners within the platform and the second dedicated to capacity building activities at plantation level. Platform members include manufacturers, processors and traders, tyre manufacturers/buyers, car manufacturers, financial institutions and civil society.

The Transforming Urban Mobility project, which brings together international companies from the automotive, auto parts, transportation, oil&gas, information and communication technology sectors, aims to promote and accelerate the transition to safe, universally accessible and environmentally friendly urban mobility. The project is divided into workstreams to analyse in detail the new trends of future mobility such as electrification, data sharing and mobility sharing, and proposes guidelines for the transition to a more sustainable mobility through the use of new technologies. Worthy of mention are the publications “*EV adoption guide*”, aimed at companies, and the “*Emerging Principles for Datasharing*”, aimed at all players in the new mobility. Project members also interface with cities to discuss the most suitable and concrete solutions for each context. Finally, during 2020, TUM has initiated a valuable collaboration with the ITF (International Transport Forum), with the aim of publishing a guideline document on sustainable mobility to be shared with the European institutions during 2021.

The Future of Work Project brings together leading companies from different sectors to combine their respective insights, innovations and influences to create strategies, business models and develop scalable business solutions to address the challenges that characterise the future of work, i.e. rapid technological change, socio-economic polarisation, changing workforce expectations. The aim is to pursue an equitable, diverse, inclusive and empowering future of work, with the interests of people at its core. For more information on the project and to access the documentation developed to date, please visit the “Future of Work” section of the WBCSD website.

Among the WBCSD initiatives supported in recent years is the signing by the Group CEO of the “*CEO Guide on Human Rights*”, published in 2019 with the aim of promoting respect for human rights by companies and their suppliers and business partners.

### ***IRSG – International Rubber Study Group***

Pirelli, in representation of the European Commission, is a member of the Industry Advisory Panel of the International Rubber Study Group (IRSG) based in Singapore, an intergovernmental organisation that brings together producers and consumers of rubber (both natural and synthetic), acting as a valuable platform for discussion on issues regarding the supply and demand for natural and synthetic rubber. It is the principal source of information and analysis on all aspects related to the rubber industry. Within IRSG, Pirelli participated in the Sustainable Natural Rubber Project, which

resulted in the management guidelines for the Sustainable Natural Rubber Initiative (SNRi) launched in 2014, during the World Rubber Summit.

During 2019 IRSG signed a Memorandum of Understanding with the Global Platform for Sustainable Natural Rubber (GPSNR), whose aim is to develop and consolidate cooperation between the two organisations. The MoU is fundamental in ensuring effectiveness in achieving the common objectives of the two organisations with regard to the sustainable production and consumption of natural rubber. In 2020, in cooperation with leading research institutes, IRSG organised the three-day workshop *“Climate Change and Rubber Economy”*, which discussed the impacts of climate change on the world of natural rubber. The workshop highlighted a number of climate change mitigation and adaptation initiatives to protect the communities operating in the sector, as well as the importance of dialogue between countries to achieve them.

### ***EU-OSHA – European Occupational Safety and Health Agency***

In 2020, for the twelfth consecutive year, Pirelli continued its activity as an official partner of the European Agency for Safety and Health at Work (EU-OSHA), which tackles a different issue every two years. In particular, in 2020 Pirelli adhered to the 2020-2022 campaign *“Healthy Workplaces Lighten the Load”* dedicated to raising awareness of ergonomic risks in the workplace and the prevention of related musculoskeletal disorders.

The campaigns in which the Company has participated in recent years include the 2018-2019 *“Healthy Workplaces Manage Dangerous Substances”* campaign aimed at raising awareness of the risks posed by hazardous substances in the workplace, the 2016-2017 *“Healthy Workplaces for all Ages”* campaign dedicated to the importance of a sustainable working environment that ensures the health and safety of employees throughout their lives, and the 2014-2015 *“Healthy Workplaces Manage Stress”* campaign, focused on the issue of stress and psycho-social risks in the workplace, the main aim of which was to encourage employers, managers and workers and their representatives to work together to manage these risks.

### ***CSR Europe***

Since 2010, Pirelli has been a member of the Board of CSR Europe, a network of companies in Europe that are leaders in the area of corporate social responsibility. Its members include more than 31 multinational companies and 45 national partner organisations from 31 European countries.

Since 2016 Pirelli has been supported by CSR Europe in the organization and moderation of its Stakeholder Dialogue Stakeholders, which the Company holds at the local Affiliate level or internationally at Headquarters.

In this regard, reference should be made to the Stakeholder consultations held in Romania, Mexico, Germany, Turkey, Russia, Argentina, the United Kingdom and the United States. CSR Europe



moderated the two multi-stakeholder consultations held by Pirelli for the definition of the Company's Sustainable Natural Rubber Management Policy, the related Implementation Manual and the 2019-2021 Activity Roadmap, published on Pirelli website. For more information on Pirelli's sustainable management of natural rubber, please refer to the dedicated section in the "Our Suppliers" chapter of this Report.

### **International commitments against climate change**

For years Pirelli has shown its commitment to the fight against climate change, promoting the adoption of adequate energy policies aimed at the reduction of CO<sub>2</sub> emissions.

This commitment was also confirmed by joining the Task Force on Climate-related Financial Disclosures (TCFD), set up by the Financial Stability Board (FSB), with which Pirelli undertook to disclose information voluntarily on risks and opportunities related to climate change as indicated in the TCFD recommendations.

Moreover, in early 2020, Pirelli expressed its commitment to the Science Based Target initiative (SBTi) for the definition of targets on the reduction of absolute CO<sub>2</sub> emissions that are in line with the level that science is demanding to keep climate warming well below 2°C, as recommended by the Paris Agreement. In June 2020, the new targets for reducing absolute CO<sub>2</sub> emissions set by Pirelli for its production processes and supply chain were validated by SBTi, which judged them to be consistent with the actions needed to keep the increase in the planet's temperature well below 2 degrees.

Over the years, Pirelli has also participated in numerous events and projects such as the Climate Conferences "COP24" in Katowice (2018), "COP23" in Bonn (2017) and "COP22" in Marrakech (2016), the "Business for COP 21 Initiative" (2015) and participated in several side events organised during the "COP21" Climate Conference in Paris (2015).

Throughout 2014, the Group joined the "Road to Paris 2015" project and signed three initiatives consistent with its sustainable development strategy: Responsible Corporate Engagement in Climate Policy, Put a Price on Carbon, Climate Change Information in Mainstream Filings of Companies Communication.

Also in 2014, the Company signed the "*Trillion Tonne Communiqué*", the document that requires global emissions over the next 30 years to remain below the trillion tonnes of greenhouse gases in order to avoid a rise in average global temperature higher than 2°C.

Pirelli has also signed numerous international agreements such as "*The Carbon Pricing Communiqué*" (2012), the "*2° Challenge Communiqué*" (2011), the "*Cancún Communiqué*" (2010), the "*Copenhagen Communiqué*" as well as the "*Bali Communiqué*" (2007), the first document for the

development of concrete strategies for a global climate agreement to be implemented through a joint government intervention.

### **Company initiatives for the external community**

As specified in the Group “Ethical Code”, Pirelli provides support to educational, cultural, and social initiatives for promoting personal development and improving living standards. The Company does not provide contributions or other benefits to political parties or trade union organisations, or to their representatives or candidates, this without prejudice to its compliance with any relevant legislation. Since the founding in 1872, Pirelli has been aware that an important role in the promotion of civil progress in all the communities where it operates and, capitalising on the Company’s natural strengths, it has identified three focus areas: road safety, technical training and solidarity through sporting activities for young people. Pirelli for some years has adopted an internal procedure to regulate the distribution of gifts and contributions to the External Community by Group companies, in relation to the roles and responsibilities of the functions involved, the operational process of planning, realising and monitoring the initiatives and the disclosures regarding the same. Essential support in the identifying of the actions that best satisfy local requirements comes from the dialogue with locally operating NGOs. Priority is given to those initiatives whose positive effects on the External Community are tangible and measurable according to objective criteria. The internal procedure also specifies that no initiatives may be taken in favour of beneficiaries for whom there is direct or indirect evidence of violation of human rights, worker rights, environmental protection or business ethics.

The contributions to the External Community by Group companies are part of a broader strategy to support the achievement of the Sustainable Development Goals of the United Nations (SDGs), in the paragraphs “Sustainability Planning and the United Nations Sustainable Development Goals” and “UN Global Compact”.

### **Road safety**

Pirelli is synonymous worldwide not only with high performance, but also safety. Together with environmental protection, road safety is the key element of the Eco & Safety Performance strategy that inspires the Group’s industrial and commercial choices. Pirelli’s commitment to road safety takes the form of numerous training and awareness-raising activities, but above all it translates into research and the ongoing application of innovative technological solutions for sustainable transport.

Pirelli’s commitment to road safety passes first and foremost through the product: the tyre is in fact the only part of the vehicle that interfaces directly with the road and as such is a fundamental element of road safety. Road safety has always been a cornerstone of the Pirelli brand. “*POWER IS NOTHING WITHOUT CONTROL™*” is Pirelli vision of mobility, which combines performance and safety. Structural and material improvements to improve traditional safety performance such as road grip, wet and dry braking, are combined with the most advanced technologies such as RUN FLAT™

and SEAL INSIDE™, which bring road safety to a higher level, allowing you to maintain control even in the most critical moments, such as a puncture.

Pirelli's commitment to road safety does not stop with product innovations, but also extends to the promotion of the principles of road safety and safe driving through participation in dedicated projects and campaigns.

Bearing witness to this commitment, Pirelli in 2018 joined the United Nations "Road Safety Fund" which aims to support States to reduce the number of deaths and injuries caused by road accidents. The Fund supports the implementation of national plans, as well as concrete actions and projects aimed at improving the safety of infrastructure and vehicles, promoting the correct behaviour of road users and managing the post-accident period efficiently.

In 2020 Pirelli also continued to support FIA in the "Action for Road Safety" campaign, created to support the ten actions for road safety organised by the United Nations at the end of 2011. The FIA campaign promotes initiatives and training and information campaigns aimed at encouraging more responsible automotive behaviour and the dissemination of the culture of road safety. As the Global Partner of this campaign, Pirelli has signed "The Golden Rules" of road safety, committing itself to disseminate them during events on the topic and through its distribution network.

Also at Group level, as part of its collaboration with the WBCSD (World Business Council for Sustainable Development), Pirelli participated in the "Transforming Urban Mobility" project, which explores the major trends in mobility (electric, shared and autonomous) to offer cities that interface with more sustainable and thus safer, cleaner and more efficient solutions. For further details on Pirelli's involvement in this project, please refer to the "WBCSD" section of this Report.

There are numerous road safety initiatives implemented in the countries where the Group operates.

In Italy, in 2020, the partnership with the University of Milan Bicocca and some neighbouring companies was strengthened on the subject of smart mobility in general and safety in particular. Also in this area, a project was proposed during the summer to the municipality of Milan and neighbouring municipalities in the Bicocca area which, through a series of interventions on the local road system with cycle lanes and 30 km/h zones, would promote road safety for the most at-risk road users, such as cyclists and pedestrians, and thus road safety for all. With a view to promoting road safety culture, cooperation with the Italian Traffic Police was also maintained; however, due to the ongoing health emergency, the planned initiatives were postponed and rescheduled for 2021.

In the United States and Canada, "Tire Safety Week" was organised, a series of initiatives on safe driving that also involved other tyre manufacturers. In the United Kingdom Pirelli made a donation to TyreSafe, an organisation dedicated to spreading education about proper tyre maintenance and the danger posed by defective or illegal tyres.

Also in 2020, despite the numerous limitations on events caused by the health situation, Pirelli continued with various initiatives to promote road safety education on two wheels. In particular, the commitment focused on collaboration with driving schools to develop practical and safe experience on and off the road. The various initiatives include partnerships with the Enduro Republic, Motorace

People, Ducati Riding Experience, Honda True Adventure Off-Road Academy and Ride Out Experience, organised in collaboration with KTM.

Lastly, as in previous years, a section of the website was dedicated to driving tips, for summer and winter, highlighting the important role played by the tyres in the active safety of vehicles and its occupants.

### ***Training***

The promotion of technical education at all levels and training are very old values that are well-established in the history of Pirelli. The Group continues to benefit from technical and research cooperation with various Universities in the world including the Polytechnic University of Milan, the Polytechnic University of Turin and the Bicocca University of Milan in Italy, the University of Craiova, the University of Pitesti and the Polytechnic University of Bucharest in Romania, the University of Qingdao in China, and the Technical University of Darmstadt, the University of Applied Sciences of Würzburg, Aschaffenburg and Darmstadt, the DHBW of Mannheim and the Vocational School of Michelstadt, Germany, to name a few.

The company supports educational and didactic initiatives that can give disadvantaged young people the tools to improve their condition; it contributes to scholarships and research projects, firmly believing in education as the key to individual growth and to the economic growth of a country.

In China, Pirelli sponsored 42 scholarships for science and technology students at the University of Qingdao. In Turkey, Pirelli donated laptop computers to students as a prize for completing the curriculum, and technical material for a robotics competition. In several countries the company has opened its doors to groups of students to introduce them to manufacturing for educational purposes. In particular, in Kirov, Russia, Pirelli invited 28 students to the factory to view production processes and teach them the importance of safety in the workplace and the use of personal protective equipment.

In Romania the partnerships with the Universities of Craiova and Pitesti and the Polytechnic University of Bucharest concern the recognition of scholarships and they also continued during the pandemic period. During 2020, Pirelli also hosted 42 mechanics and 42 electronics students from a dual school and supported the online classes of 100 children at the Coteana primary school in the Olt region, providing them with tablets and tools they needed to participate in online classes during the period of the health emergency.

In Argentina, Pirelli also helped high school students with tools and suggestions for their entry into the world of work, focusing on preparing CVs and job interviews.

In Spain Pirelli donated space to host a student workshop, where students designed to build a single-seater racing car, and a motorcycle, to compete in the international race “Formula Student” against almost 500 teams from all over the world.

In Italy, during 2020, there was continuation of the *Alternanza Scuola Lavoro* project (now called PCTO), launched in 2017 and governed by the 2015 “Good School” law. The project, designed on a three-year basis, involves three classes from chemical and technological high schools in the area and aims to accompany the children belonging to the classes involved throughout the three-year period, in order to guide them to discover what a company is, to support them in understanding the main dynamics of company management and to help them in the delicate phase of professional choice and orientation. Adhering to the project, Pirelli therefore facilitates schools in the regulatory compliance of the provisions of the Decree, supports the territory in the promotion of school excellence and internally promotes the management of generational diversity thanks to the involvement, within the project, of senior Pirelli colleagues in the role of mentors and guides for the young students involved.

In 2020, Pirelli continued its collaboration with natural rubber supplier Kirana Megatara in Indonesia, donating scholarships to the children of natural rubber farmers to enable them to go to school and buy school books. The scholarships covered 65 children.

In 2020, due to the health emergency, Pirelli had to suspend its rubber tapping competition, which it had been organising for several years in Indonesia with the aim of teaching natural rubber farmers how to extract rubber correctly in order to protect natural resources. Instead, Pirelli and Kirana Megatara distributed essential foodstuffs to about 2740 farmers, part of the Group’s supply chain, and their families.

### ***Sport and social responsibility***

There is a close link between solidarity and sport, in a virtuous circle where commitment to sports becomes synonymous with the commitment to promoting solidarity and ethics, especially amongst young people. Getting young people involved in sport is a way to teach the notion of integration to children from different social groups and helps prevent negative situations like isolation and solitude. Pirelli signed a global agreement not only for the sponsorship of the professional football club FC Internazionale Milano (“Inter”), but also as a partner of the global social project Inter Campus.

Since 1997, Inter Campus has developed social, flexible cooperation and long-term actions, in 30 countries around the world with the support of 300 local operators, using football as an educational tool to offer needy boys and girls aged between 6 and 13 the right to play.

Since 2008, Inter and Pirelli, along with a local partner, have been running the Inter Campus social project in Slatina, Romania. The sports and recreational activities are organised for the entire year, involving over 100 children from different social contexts who have been learning team spirit, social integration and the values of friendship through football for years.

Since 2012, Pirelli and Inter have replicated the experience of Inter Campus in Mexico: Inter Campus Silao, near the Pirelli factory, inaugurated by President Felipe Calderon, involves about 130 children from the area. In 2020, the coaches ran the programme remotely because of the pandemic. In 2014,

Pirelli and Inter launched an Inter Campus project together in Voronezh, Russia, involving three local orphanages with about 100 children.

In Brazil, Pirelli supported football, judo and karting programmes. In particular, the karting world championship held in 2020 saw around 3,000 participants, while judo lessons were held online due to the pandemic, involving around 500 children.

### **Solidarity**

Pirelli's responsible approach of involvement and inclusion is reflected in social solidarity activities around the world. The pandemic has severely affected not only the health of millions of people around the world, but also the economy. Pirelli, like many other companies, has tried to help, not only by providing personal protective equipment and fans, but also by distributing food and other basic necessities.

In Spain, the Company supports the Santa Clara Convent Foundation, which manages programmes that provide food to needy families. Pirelli has made a warehouse available for the storage of food for the poor.

In Moscow, Pirelli contributed to the "Chance" project, which provides private lessons to some 600 orphans from various orphanages. In Kirov, Pirelli donated desks for children at the Nadezhda orphanage, and participated in an initiative to help children from families in difficulty with school supplies.

In China Pirelli supported 32 orphaned and poor children in Yanzhou. In Turkey Pirelli supported a foundation for the protection of children and one for maternal education. In Sweden Pirelli contributed to Children's Day, raising funds for disadvantaged children. In France Pirelli made a donation to the UN refugee agency, UNHCR. In Romania, employees participated in a craft fair, donating proceeds to 50 local families.

In the UK, Pirelli supported a number of social solidarity initiatives, including a donation of 50 pots and pans for needy families. In Germany, Pirelli sponsored the youth work of the local fire brigade.

In Brazil Pirelli supported several social solidarity activities: Associacao Imaculada Coracao de Maria Educandario, an educational activity for 486 children run by Italian nuns; Aprender Brincando, an after-school project with activities for 120 children; Servico de Convivencia Meninos e Meninas, another important after-school activity for 33 children; and Projeto Guri, an important musical activity for 165 children. In Argentina, Pirelli employees maintained a square, "Plaza Pirelli", providing games and benches.

## Health

During 2020, the global emergency due to Covid-19 caused Pirelli to devote a significant portion of its contributions to the external community to initiatives supporting health, both aimed at the families of Group employees and at the local communities where the Company operates.

Many initiatives have been launched in the countries where Pirelli operates.

In Italy, in collaboration with the Region of Lombardy, Pirelli has donated 65 ventilators for assisted breathing, 5,000 suits for medical use, and 20,000 protective masks to hospitals in the region. Italian employees also made a direct contribution by donating the equivalent of more than 7,000 working hours through the “*Together for Italy, Together for Research*” project, amounting to about €220,000. The Company donated directly an amount of the same value and, thanks also to donations received from other companies close to Pirelli Group, donations reached €750,000. In addition, the Group decided to cancel production of Pirelli Calendar for 2020 and donate €100,000 to medical research.

In China, through the Yanzhou Charity Federation, Pirelli donated RMB 5,000,000 to support the local community.

Also in Romania, Pirelli donated five ventilators to the intensive care unit of Slatina Hospital, and personal protective equipment to about 500 doctors, nurses and hospital staff. In addition, Pirelli donated more than 10,000 masks and disinfectant to doctors and policemen in the area, as well as to the transport company used by Pirelli workers.

In Russia, Pirelli made a donation to support the medical staff of regional health institutes and donated 1,000 tyres to ambulances in the Voronezh, Kirov and Tatarstan regions. In Brazil Pirelli also donated 8,000 tyres for ambulances and other emergency vehicles in the states of São Paulo, Bahia and Rio Grande do Sul. In Turkey, five medical monitors were donated to local hospitals, as well as 160 ambulance tyres.

In Germany and Sweden, a free tyre change service was offered to all health workers.

In Argentina, Pirelli managers organised information chats with students from local technical schools on the factory’s adaptation to Covid-19 protocols. In addition, Pirelli donated oximeters and sanitisation materials to two local hospitals.

Over the years Pirelli has always aimed to make a contribution to improving health services in the communities in which it operates, supporting medical research and helping sick people.

In Romania a new centrifuge was purchased for the Slatina Transfusion Centre; in Turkey Pirelli made donations to the Down Syndrome Association and the Dernegi Multiple Sclerosis Foundation. In the Nordic countries Pirelli contributed to research and treatment of paediatric cancer. In Belgium Pirelli made a donation to Sunchild for seriously ill children, and another for cancer research. In Argentina, Pirelli supported a breast cancer awareness campaign with the Macma Foundation, and a marathon to raise funds for the rights of children cured of cancer. In the Netherlands Pirelli chose

a hospital centre for mothers with children for its donation. And in the UK Pirelli raised funds for a heart centre, cancer, post-accident rehabilitation, kidney care and leukaemia.

### ***Environmental initiatives***

In keeping with the company's vision of sustainability, Pirelli supports various environmental projects around the world.

In Mexico, even in times of pandemic Pirelli has coordinated a "*llantaton*" (or "tyreathon"), i.e. the collection of at least 10,000 end-of-life tyres in the municipality of Leon, to promote local hygiene. The collected tyres were valorised as fuel for cement factories.

In Argentina, the company also dedicated itself to an end-of-life tyre recycling project, as well as supporting waste recycling at the local children's hospital.

In Voronezh, Russia, employees made a collection of batteries to promote their recycling.

In Germany Pirelli sponsored an innovative student project. Students built a dispensing machine for "Miltenbecher," reusable cups created by a 3D printer. The cups can be used in local cafés and shops, e.g. for take-away cups of coffee.

### ***Culture and social value***

The internationality of Pirelli also emerges from the love for culture, with initiatives in certain countries around the world also in 2020. The attention to culture, and even more the commitment to preserve it, spread it and enhance it, are part of the DNA of the creation of social value.

In Italy, Pirelli's commitment to culture is demonstrated by its numerous collaborations with prestigious institutions: in the world of theatre and art, with Teatro Franco Parenti and Piccolo Teatro in Milan, FAI (Fondo Ambiente Italiano), in the world of promoting reading, with the Campiello Prize, in the world of music, with the Fondazione del Teatro alla Scala and the Giuseppe Verdi Symphony Orchestra in Milan, and events such as the MITO SettembreMusica Festival in the cities of Milan and Turin.

In the field of music, Pirelli sponsors the Mozarteum project in Brazil, in which major international classical music orchestras participate. In 2020, the concerts were performed online. In São Paulo, Pirelli also sponsored in 2020 the Museum of Modern Art, one of the most important museums in Latin America, and an immersive exhibition on the life and works of Leonardo Da Vinci.

In Voronezh, Russia, Pirelli sponsored the Governor's Ball, a fundraising ball to promote young musical and artistic talent. Also in 2020, an exhibition of Pirelli Calendar was presented at the Multimedia Art Museum in Moscow, partly in person and partly online. In Spain, Pirelli hosted about



300 people in small groups for a historical guided tour of the old Manresa factory and the nearby museum.

### **Fondazione Pirelli (Pirelli Foundation)**

The Pirelli Foundation, established in 2008, counts among its objectives the safeguarding of the Group's historical and cultural heritage and the promotion of its corporate culture, through projects with a strong social and cultural impact, aimed at enhancing the company's heritage and consequently its brand, also in collaboration with other institutions. During 2020, the health emergency situation, with the consequent economic recession, made it necessary to transform activities, also in a digital key, and short periods of closure of spaces normally accessible to the public. The main initiatives include:

Digital communication projects to enhance the value of historical heritage and corporate culture: digital tools and the schedule of communication activities were implemented and strengthened in order to reach an increasing number of users in Italy and abroad, even virtually. The [fondazionepirelli.org](http://fondazionepirelli.org) website, with the virtual tour *fondazionepirelliexperience*, was visited a total of 96,300 times (+44.8% vs 2019). Among the new digital projects launched: the podcast programme on the history of Pirelli (racing, architecture, literature) with 18 launches in a dedicated online section; the activation of the newsletter Fondazione Pirelli e-news, with 18 issues that reached an average of 3,000 contacts; the digital programme for education to support distance learning, distributed to over 2,500 schools throughout Italy; 5 digital exhibitions with 33 in-depth studies on the themes of product, design, visual communication; the website section "*La Fondazione consiglia*" (The Foundation recommends), with the publication of 80 book reviews. Fondazione Pirelli's social accounts (Facebook, Instagram and Twitter) reached 13,080 followers (+22% vs 2019) with a total post coverage of 2,404,415 (+141.6 vs 2019). More than 1,650 pieces of content were produced, including 75 videos. Posts on the Pinterest channel, which reached 107,000 users, were visited 156,000 times. The Vimeo channel for audiovisual content had 5,600 views. In 2020 two new projects dedicated to the world of reading were also created in the digital version: "*Parole insieme*" with the launch in streaming of 5 interviews with guests related to publishing and writing (post coverage on social channels: about 98,000); "*Premio Campiello 2020*", sponsored by Pirelli and communicated through reviews and video interviews on social channels and Vimeo (post coverage: over 12,500). Also in 2020, the Pirelli Foundation contributed to the implementation of editorial plans for Pirelli channels dedicated to heritage (BU Motorcycles, Pirelli USA, etc.).

Project on the celebrations of 60 years of the Pirelli Skyscraper: the exhibition "*Stories of the Skyscraper. 60 years of the Pirelli Skyscraper. 60 years of the Pirelli Skyscraper between industrial culture and the institutional activities of the Lombardy Region*", promoted by the Pirelli Foundation and the Lombardy Region and set up at the Pirelli Skyscraper, will be opened to the public during 2021, after the presentation on 16 December 2020, with a digital preview of the dedicated website [60grattacielopirelli.org](http://60grattacielopirelli.org) and the launch of the catalogue. The book, published by Marsilio in Italian and English language editions, traces the history of the building inaugurated in 1960 as the Pirelli Group headquarters and later becoming the headquarters of the Lombardy Region through original

historical materials, photographs and illustrations from the Pirelli Historical Archive and testimonies by personalities such as Piero Bassetti, Eva Cantarella, Giuseppe Guzzetti, Uliano Lucas, Carlo Ratti, Gianfelice Rocca and Andrée Ruth Shammah. The project is a celebration of the modernity of Lombardy's technology and industry and of the avant-garde urban planning of Milan, the "rising city" of which the Pirellone remains an undisputed landmark in the present day. The digital event, attended by the presidents of the institutions involved, totalled over 48,000 live streaming views on the "Corriere della Sera" channels, followed by over 3,110,000 followers. In 2020, the communication of the project reached over 168,400 users on social channels; 25 issues were published in the press and on the websites of online newspapers. In 2021, also following the opening of the exhibition, activities to promote the project will continue with guided tours and virtual tours, including for schools and universities, presentations of the book and conferences with in-depth studies on various topics (architecture, design, economic history, sustainability).

#### Educational and training projects for students and teachers:

- Pirelli Educational Foundation - educational workshops aimed at primary and secondary schools: after a start in presence, the conclusion of the 2019/2020 school year and the opening of 2020/2021 continued with activities carried out entirely in digital mode, with live online training courses that involved a total of more than 1,550 students and their teachers. In addition, more than 300 teachers took part in the eighth edition of the training and refresher course for Cinema & History teachers, organised in collaboration with Fondazione Isec and Fondazione Cineteca Italiana;
- projects aimed at universities: around 90 students took part in in-person and online guided tours via virtual tour. Particularly noteworthy are the following universities: Politecnico di Milano; Monash Business School - Victoria, Australia; Eindhoven University of Technology - The Netherlands);
- other educational projects: - participation in Time4child 2.0 during the XIX Settimana delle Cultura d'Impresa (9-13 November), a digital event sponsored by the Ministry of Education with 5 live appointments on the subject of Pirelli sustainability (natural rubber, research and development, production process), in collaboration with colleagues from the Sustainability Department; 116 secondary school students took part in the events; - participation in Job & Orienta, a digital orientation and training event organised by Veronafiore; - participation in the #ioleggoperché project with reading suggestions by primary school students on the social channels of Fondazione Pirelli.

Loans of materials, historical and iconographic research, drafting of texts to support the brand and the external community: about 150 requests were made for the preparation of plants, trade fairs, events, Pirelli offices in Italy and abroad, product brochures, loans of materials for exhibitions and publications edited by other institutions, historical documentaries, interviews, and theses by scholars and researchers. Among the main ones: Pirelli Collezione and launch of new Pirelli tyres for Fiat 500, Pirelli China dealer convention, Automässan fair, Gamma Rally 2021 product launch, Silverstone F1 GP. Also: "Autos Art and Architecture" exhibition by the Lord Norman Foster Foundation and the Compasso d'Oro permanent museum by ADI - Association for Industrial Design

in Milan; documentaries on the history of Campari for Sky Arte and “La costituzione in fabbrica” by Istituto Luce; volume “Nuove architetture a Milano”, Hoepli edition.

Virtual tours, webinars and events to promote corporate culture: more than 500 participants took part in Fondazione Pirelli’s initiatives to promote corporate culture, including: Museocity, with a focus on the iconography of women in the last century; Digital Campus with educational activities; Movieweek with a focus on the testimonials of Pirelli’s advertising campaigns; XVII Settimana della Cultura d’Impresa, with the team virtual game “Giallo in archivio: sulle tracce del Cinturato Pirelli”. Among the guests was the visit of the Consul of Mexico to Milan.

Processing and relocation of materials from the Historical Archive, digital heritage management:

- implementation of the Digital Asset Management platform on OpentText software for the document management of images, videos and documents and for the long-term preservation of digital materials, with the upload of more than 30,000 digital assets;
- Historical Archive: about 670 documents catalogued and published online, about 2,240 digitised, 190 restored (photographic, iconographic and audiovisual fund, Corporate section and Research and Development section, with focus on product launches, factory interiors, welfare). During 2020, part of the Historical Archive documents was relocated to the new dedicated room in the recently built Cinturato building. The new archive spaces, designed for long-term preservation, also include an area for consultation.

Cultural initiatives for Pirelli employees:

- Management of Pirelli’s corporate libraries in Milan Bicocca and Bollate: the library holdings reached about 8,250 catalogue titles; more than 1,000 loans, over 1,400 movements (loans and extensions) and around 600 users were registered. The Biblionews newsletter with periodical updates on books and libraries reaches about 400 subscribers;
- participation in Pirelli Smart Kids, a digital campus organised by the HR Department in May and September for the children of employees, with courses in the areas of innovation and creativity.

### **Pirelli HangarBicocca™**

Pirelli HangarBicocca™, which with its 15,000 square metres is one of the largest exhibition venues in Europe, is a space dedicated to the production, exhibition and promotion of contemporary art. Created in 2004 from the conversion of a vast industrial plant into an art centre, in 2020 it received official recognition and designation as a “Museum” by the Region of Lombardy.

The aim of Pirelli HangarBicocca™ is to be a place open to the city and the territory, an institution that combines its exhibition activities with a series of initiatives aimed at bringing contemporary art closer to an Italian and international public made up of art experts, representatives of the most

important museum institutions, journalists from the sector and the general press, as well as an equally vast audience of enthusiasts, students, families and non-specialist users.

The exhibition and cultural activities of Pirelli HangarBicocca™ underwent substantial changes in 2020 due to the emergency situation caused by Covid-19, which required closure at various times during the year.

In line with its mission, Pirelli HangarBicocca™ nevertheless guaranteed the realisation of solo exhibitions by leading international artists and a programme that stood out for its research and experimentation character and for the particular attention paid to site-specific projects capable of dialoguing with the unique characteristics of the space. The artistic programme for 2020, curated by Artistic Director Vicente Todolí, presented artists with a high international profile, alternating solo exhibitions by established names with exhibitions by emerging artists.

A total of about 75,500 visitors (in attendance) visited 4 large temporary exhibition projects, in addition to the permanent installations *I Sette Palazzi Celesti 2004-2015* by Anselm Kiefer, *La Sequenza* by Fausto Melotti and the *Efêmero* mural by OSGEMEOS:

- Daniel Steegmann Mangrané, *“A Leaf-Shaped Animal Draws The Hand”* (closed on 19 January 2020);
- Cerith Wyn Evans, *“...the Illuminating Gas”* (from 31 October 2019, closing date extended to 26 July 2020);
- Trisha Baga, *“the eye, the eye and the ear”* (from 20 February 2020, closure extended to 10 January 2021);
- Chen Zhen, *“Short-circuits”* (from 15 October 2020, closing date 21 February 2021).

For the first time, in 2020 Pirelli HangarBicocca™ produced an institutional publication, the Annual Journal, which developed, through 219 pages of texts and images, an overall account of all the activities dedicated to the public, with particular attention to production, communication, engagement and development strategies.

During 2020 the Public Program, before the closures caused by the Covid emergency, hosted two important events dedicated to the Cerith Wyn Evans exhibition (an evening of conversation and film screening with the artist on 11<sup>th</sup> of January and a concert by Keiji Haino and Russell Haswell on 9<sup>th</sup> of February), while starting in September 2020, calendars of in-person and later digitally streamed encounters were devised, including a Book Club dedicated to Trisha Baga’s exhibition involving writers including Jeannette Winterson, in collaboration with BookCity, which was attended by over 400 people online, as well as a digital conversation dedicated to Chen Zhen’s exhibition with Guggenheim Senior Curator Alexandra Munroe.

After a few months of regular teaching and school activities, interrupted by the health lockdown, the Education Department acted as a reference point to support families and schools in dealing with the sudden isolation of the children and the impossibility of offering them meaningful creative and

relational activities. The Education Department thus quickly set up a full programme of free live digital workshops for children aged 6 to 10 in collaboration with the artist Marcella Vanzo and a calendar of events involving the Arts Tutors of Pirelli HangarBicocca™; an engagement project was also conceived for children through social media and the website in collaboration with the artist Alice Ronchi.

Since it was impossible to work with school students, a teacher training programme was also set up consisting of two different workshops a course of 5 lessons for primary school teachers entitled “*Fare insieme #squola pubblica*” in collaboration with the Department of Education Sciences of Milano Bicocca and the artist Marcella Vanzo, focusing on creativity and the use of artistic expressiveness for digital teaching; a course on contemporary art, heritage and interculturalism, dedicated to high school teachers, with the collaboration of the Ismu Foundation, inspired by Chen Zhen’s exhibition to explore the narrative potential and enhancement of cultural differences.

With a view to enhancing the installation of “*I Sette Palazzi Celesti 2004-2015*” by Anselm Kiefer, a guided tour was organised on 29<sup>th</sup> of January 2020 in the presence of the artist, attended by 620 people on the occasion of the Honorary Degree awarded to the artist by the Brera Academy. The collaboration with the Milano Musica Festival also continued, hosting the inaugural concert of the Festival on October 17, 2020.

During the course of 2020, Pirelli HangarBicocca™ intensified its usual digital storytelling of exhibitions and events, reinforcing the online activity of user involvement: there are many items of content and themes proposed in the various programmes distributed on institutional communication channels such as Instagram, Instagram Stories, Facebook, Twitter and on the home page of the website. In particular, a new Pirelli HangarBicocca™ profile was activated on Spotify where artists and personalities linked to the institution share playlists of their music with the public. The Hangar Voices project was also launched on social media, a selection of thoughts, ideas and opinions proposed through the contributions of artists, philosophers, thinkers, protagonists of the institution’s cultural projects. The Video Channel section of the website has also been enriched with video interviews with artists and curators, making of exhibition projects, documentation of concerts, sound performances, visits and conferences. The Google Arts & Culture platform has been further strengthened, where the 360° Street View of Anselm Kiefer’s permanent work was already present, taking advantage of the one dedicated to Cerith Wyn Evans’ light installations and emphasising the reference to the Pirelli HangarBicocca™ iconographic archive.

In 2020 Pirelli HangarBicocca™ maintained its Membership programme with the aim of keeping alive the community that shares a passion for contemporary art. In 2020 the Membership reached about 300 active Members.

In 2020 there were 4 activities dedicated to Members: a preview visit to Trisha Baga’s exhibition, two curatorial visits to the exhibitions (Cerith Wyn Evans and Trisha Baga) and an out-of-town family activity at the Brera Botanical Garden, on the occasion of Daniel Steegmann Mangrané’s exhibition.

There were 17 dedicated newsletters. Among the benefits, the possibility to book in advance the activities of the Public Program, to reserve the visiting hours on the occasion of the opening of the

exhibition of Chen Zhen, to stay always updated on the digital contents, to receive exclusive advances of the new catalogues, to take advantage of special discounts on the purchase of the catalogues of the exhibitions and of the institutional line at the Bookshop and at IUTA Bistrot.

During the year Pirelli HangarBicocca™ also hosted a number of major events including the meeting between the President of the Italian Republic Sergio Mattarella and the President of the Federal Republic of Germany Frank-Walter Steinmeier for the conference *“La rinascita ai tempi del Covid”* (“Resurgence in the time of Covid”, the presentation of the new Armani Beauté skincare, the presentation of the 2020-2021 ski season and the celebrations for the centenary of FISl (Italian Winter Sports Federation).